App. F. IX-4

Previous References.

193 .

(G.F.)

File No. 384-39

Serial Nos. 3

Later References.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. PRESERVE

Part B for B July 40.

SUBJECT. Miscellaneous Papers / Statistics Mysore Duty on Gold.

27

General and Revenue Secretariat.

File No. of 19 [App. F. III-2

Serial No.

MAR 12 1940

8392

Page 489 of the Indian Finance dated 2nd March 1940.

Portion marked A re Mining taxation in South Africa.

Submitted for kind perusal, with reference to personal discussion.

ASJ
12.3.40

First Member

—

Nil.
12/3/40

ASJ
13.3.40

—

NOTE-Contn. Sheet.

Finance Abroad

Date 1940	Sterling Dollar rate	Sterling Franc rate	Sterling Belga rate	Sterling Guilder rate	GOLD London sh. d.	GOLD Bombay Rs. A. P.	SILVER London d. per oz.	SILVER Bombay Rs. A. P.	New York Spot cents	London Discount rate 3 months Bills %
Feb. 22	4·03½	176¾	...	...	168 0	42 6 6	20¼	55 8 0	...	1 1/32 to 1 1/16
,, 23	4·03½	176¾	...	...	168 0	42 6 6	20 3/16	55 10 0	...	1 1/32 to 1 1/16
,, 25	4·03½	176¾	...	...	...	42 6 3	...	56 10 0	...	1 1/32 to 1 1/16
,, 26	4·03½	176¾	...	...	168 0	42 8 6	20 3/16	56 11 0	...	1 1/32 to 1 1/16
,, 27	4·03½	176¾	...	...	168 0	42 8 3	29⅜	57 7 0	...	1 1/32 to 1 1/16
,, 28	4·03½	176¾	...	...	168 0	42 7 6	20 7/16	58 7 0	...	1 1/32 to 1 1/16

Friday Eevening.

THERE has not been any change worth recording in the overseas foreign exchange markets during the week. Sterling has ruled steady for most part of the week, the New York—London cross rate keeping around 3.95⅞ to 3.96, while sterling in relation to continental currencies was fairly steady. The announcement of a further instalment of war purchases from the U.S.A. would, in the normal course, have had a depressing effect on sterling, but the precautions taken in the shape of mobilisation of dollar securities had obviously prevented any development of weakness.

The silver market till Thursday was influenced to a large extent by two uncertainties—the possibility of a higher import duty on silver in the Indian Budget, and the recrudescene of doubts concerning the continuance of United States purchases of foreign silver. There is to be no increase in the import duty on silver in India and to that extent the Indian Finance Minister has removed one source of anxiety. There has been a remarkable rally in prices. From Rs. 56-7-0 silver recovered to Rs. 57-7-0; the disparity between the ready and the after-budget settlement rates narrowed, till it now rules at a nominal figure. In the London market too, prices at first tended to move downward from 20¼d. per oz. to 20 3/16d., mostly owing to fear resulting from the possible effects of the Townsend Amendment Bill but there has been a recovery to 20 7/16d. on Thursday. Prices in the Indian Silver market tending to move upward, a sympathetic movement in London too is not altogether unaccountable. Theoretically the price of silver in London and Bombay should be effectively isolated from the reactions of any changes in the U.S. silver policy owing to the embargo on imports into both these countries. Neither in India and Burma nor in Great Britain is sufficient silver produced to meet the current industrial, coinage and hoarding requirements, so that price can remain theoretically at a higher level than is warranted by the American parity prices. In fact it has been so far some time. At the existing price of 35 cents per ounce the straight London parity is round about 19⅛d., the shipping parity to New York 18¾d., and the shipping parity from New York to London 19⅞d. The lowest that silver touched in the London market for sometime past is 20 3/16d. which, as will be noticed, is considerably above the theoretical import point from the U.S.A. Import regulations, thus, isolate the Indian and London markets from the disturbance that they might have otherwise had from the changes in the U.S. policy. This higher price can be maintained in India, if the officials so desire.

Regarding the trans-Atlantic position the report that the Advisory Council to the Federal Reserve System has recommended the discontinuance of the Administration's foreign silver policy has caused an initial setback in prices. Strictly speaking, this report only confirms what has to be taken for granted, namely, that the Townsend Bill would ultimately become law, and as such should not have exerted a depressing influence; but obviously the fear of the unknown is a powerful factor, though those who will be affected when this bill becomes law will be New York and Montreal dealers rather than London or Bombay operators.

Mr. J. M. Keynes's scheme of compulsory saving is attracting widespread attention. All politicians and economists have either tacitly or openly admitted that some scheme or other providing for compulsory saving is necessary, partly as a measure calculated to prevent inflation and partly as a measure for pooling the nation's wealth for effectively prosecuting the war. The Chairman of the Big Five have, in one context or other, approved of the scheme. The scheme has, this week, come within the range of Parliamentary orbit when Mr. Keynes addressed some 250 Commoners on the subject. He argued that a rising proporation of all wages over a certain minimum figure should be compulsorily invested until such time that repayments would increase the purchasing power and tend to counteract trade depression. It is reported that he also pleaded for the granting of a family allowance of five shillings weekly for every child under fifteen years besides arguing in favour of a capital levy after the war. The Lords, too, appear to have taken an interest in the scheme as is evident from Lord Hankey's reply that the Government, far from rejecting Mr. Keynes's proposal, are only considering whether the ends could not be met voluntarily instead of by coercion. The visible falling off in civilian buying and the possible reduction still further so as to aim at a standard of living much lower than what it was in 1914, is apparantly weighing with the authorities.

South Africa's war budget was presented by Mr. J. H. Hofmeyr, Finance Minister, this week and contains no starling proposals. The 30 per cent. rebate in income-tax for individuals and companies is, however, withdrawn; there is to be an excess profits tax of 10 shillings in the pound, but this is not to apply to gold mines or diamond mines. This would appear reasonable in view of the fact that a maximum price, as it were, has been fixed at 150 sh. per ounce for gold mined in South African Mines, so that whatever profit that is obtained in excess of the price automatically accrues to the State. The gold mining shares slumped heavily on the Kaffirs market as an indication of the prevailing spirit of pessimism about the future of gold shares. The Finance Member has now offered some relief to these companies by abandoning the provision limiting the companies' proceeds to 150 sh. per ounce. As a recompense for the loss the State will suffer, the industry is asked to make a lump sum contribution of £3,500,000. It is as yet too early to gauge the effect on the industry, but the substitution of lump sum contribution for a variable share has certain advantages, in that the industry is allowed to enjoy the benefits of boom conditions in the gold mining industry, should they occur at all, and to this extent there might be a recovery in the gold mining shares from the low levels reached not long ago.

Fuller details are now available of the changes in the London quotation for the Rumanian leu instituted about ten days back. The London quotation will now apply to the free exchange dealings prevailing on the Bucharest Bourse instead of to the official operations at the National Bank of Rumania. The full significance of this change is explained by *The Economist* of the 17th February thus: "The change applies only to that part of the proceeds of export trade which Rumanian exporters are bound under the exchange control regulations to sell direct to the National Bank. The proportion varies in accordance with the trade and clearing agreements which Roumanian exporters must sell 30 per cent. of the foreign exchange proceeds of their exports to the National Bank at the official rate, leaving 70 per cent. to be disposed of in the free market. In the case of Anglo-Roumanian exports to this country are sold to the National Bank, a further 40 per cent. credited to the Anglo-Roumanian payments account, and the balance of 20 per cent. left for disposal in the free market. When the Clearing Agreement lapses at the end of next April it is expected that the proportion available for disposal in the free market will appreciably increase. The change in quotation effected, therefore, involves the disappearance of a largely nominal and artificial rate and its replacement by a rate which will soon acquire greater importance in the financing of Anglo-Roumanian trade."

LLOYDS BANK
LIMITED
(Incorporated in England.)
1677
Safety
In times of uncertainty, safety of capital should be the investor's chief concern.
A FIXED DEPOSIT ACCOUNT or SAVINGS BANK ACCOUNT with Lloyds Bank gives complete security of capital.
INTEREST is allowed at rates which can be ascertained on application.

IMPERIAL BANK OF INDIA

CONSTITUTED UNDER THE IMPERIAL BANK OF INDIA ACT, 1920

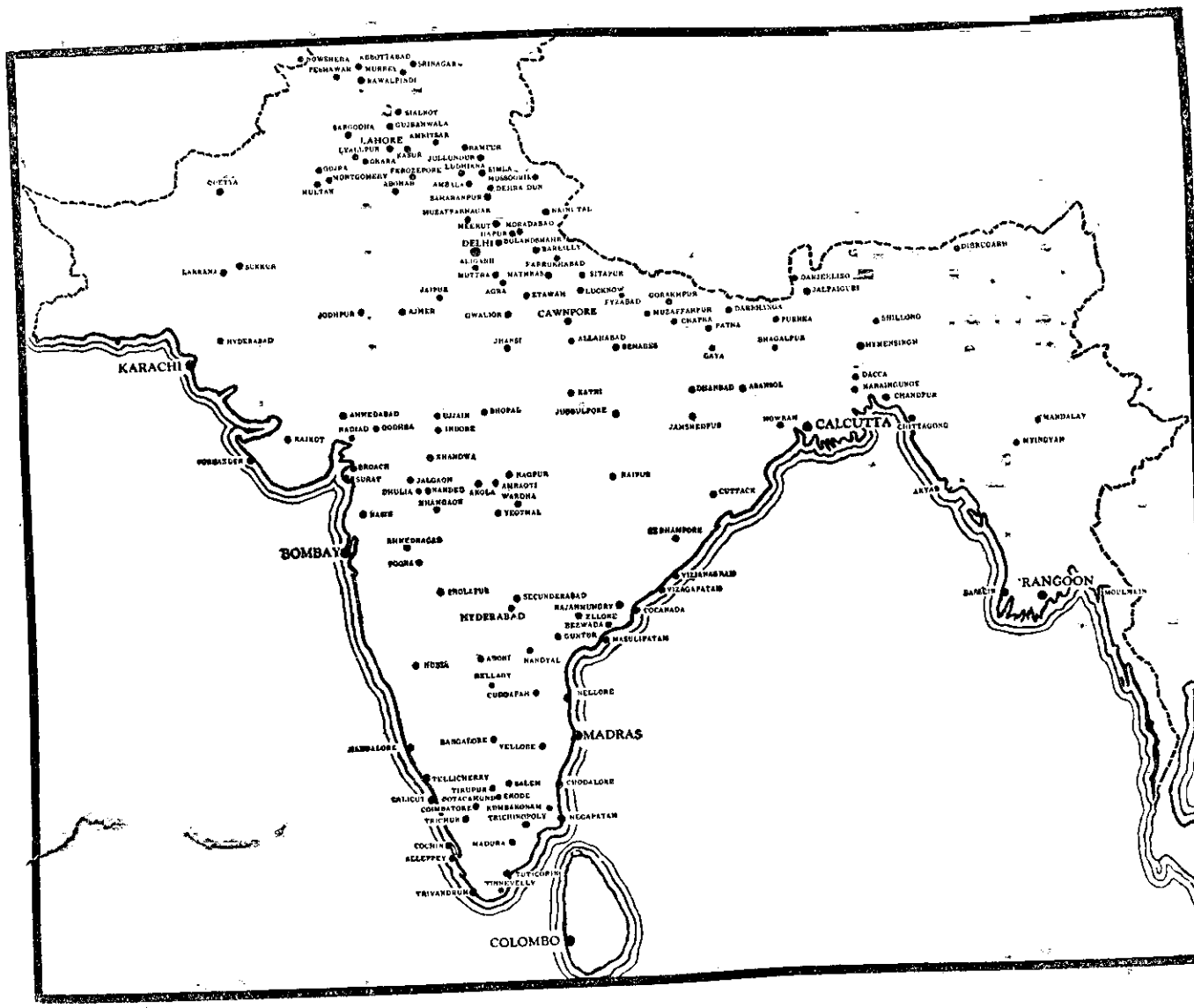
For the purpose of taking over the undertakings of the Bank of Bengal (established in 1806) the Bank of Bombay (established in 1840) and the Bank of Madras (Established in 1843)

•

Authorised Capital ... Rs. 11,25,00,000
Paid-up Capital ... Rs. 5,62,50,000
Reserve Fund ... ... Rs. 5,57,50,000
Reserve Liability of Shareholders Rs. 5,62,50,000

•

BANKING FACILITIES OF EVERY DESCRIPTION



OVER 350 BRANCHES AND SUB-OFFICES THROUGHOUT INDIA, BURMA AND CEYLON.

ice (214 lbs.) Rs. 10-0-9 to
e (160 lbs.) Rs. 8-0-9 to
(214 lbs.) Rs. 10-3-9 to
(214 lbs.) Rs. 10-4-9 to
166 lbs.) Rs. 7-12-9 to
156 lbs.) Rs. 8-12-9 to
Rice (156 lbs.) Rs. 9.
156 lbs.) Rs. 9-4-9 to
Rice (156 lbs.) Rs. 8-0-9
Rice (156 lbs.) Rs. 8-2-9 to

CEREALS

dhall (205 lbs.) Rs. 12-0-9 to
(156 lbs.) Rs. 11-8-9 to Rs.
ill (216 lbs.) Rs. 9-8-9 to Rs.
ram (225 lbs.) Rs. 11-8-9 to
Bengalgram (190 lbs.) Rs. 11-4-9.
Bengalgram dhall (206 lbs.) to Rs. 13-14-9.
Bengalgram (205 lbs.) Rs. Rs. 12-0-9.
Bengalgram dhall (216 lbs.) to Rs. 14-0-9.
Bengalgram (196 lbs.) Rs. s. 10-4-9.
Bengalgram dhall (216 lbs.) to Rs. 13-0-9.
rand Bengalgram flour (196 -8-9 to Rs. 13-10-9.
and 'Merican flour (196 lbs.) Rs. 12-8-9.
ans (216 lbs.) Rs. 11-6-9 to

LONDON MARKETS

CHEERFUL TONE

(REUTER'S AGENCY.)

LONDON, March 21.

On the Stock Exchange, Mr. Chamberlain's speech in the House of Commons yesterday, together with overnight news of the raid on Sylt, was responsible for the cheerful tone of the markets, in which prices of most groups closed higher. Business was, however, small and most of it was concentrated on the giltedged list. The new War Loan improved to £ 1/8 discount.

Wall Street opened firm.

INDIAN GOLD MINING SHARES DOWN

LONDON, March 19.

The Stock Exchange was quiet, most groups tending to ease, but giltedged ruled steady. Trading in new War Loan was small, with the price closing at a five shillings discount. Elsewhere the decline in Indian gold minings was a notable feature, following confirmation of the news of new Mysore tax.

Wall Street opened steady.

LATEST QUOTATIONS

(Reuter's Special Commercial Service.)

LONDON, March 20.

HOMERAILS:

Great Western Rail ordy.		£46¼
London Midland & Scot ordy.	(£21)	£21¼
London North-East defd.		£3¼
Southern defd.	(£20½)	£20¾
London Transport 5%		£116½
London Transport "C"	(£44)	£43½

MADRAS, March 21.

Messrs. Paterson & Co., has to-day received from London, by Special Cable, last night's closing prices for the following:

MINES

	Middle price. £ sh. d.
Champion Reefs	1 16 3
Mysore Golds	1 5 9
Ooregum Gold ordy.	0 11 3
Do. prefs.	0 18 6

PLANTING

Rani Travancores	0 12 0
Kerala Calicut Estates	0 1 6
Malayalam Plantations	1 13 9
Pullangode Rubber	0 1 3
Poonmudi Tea & Rubber	0 1 3

MISCELLANEOUS

E. I. D. 7% particpg. prefs.	1 1 3

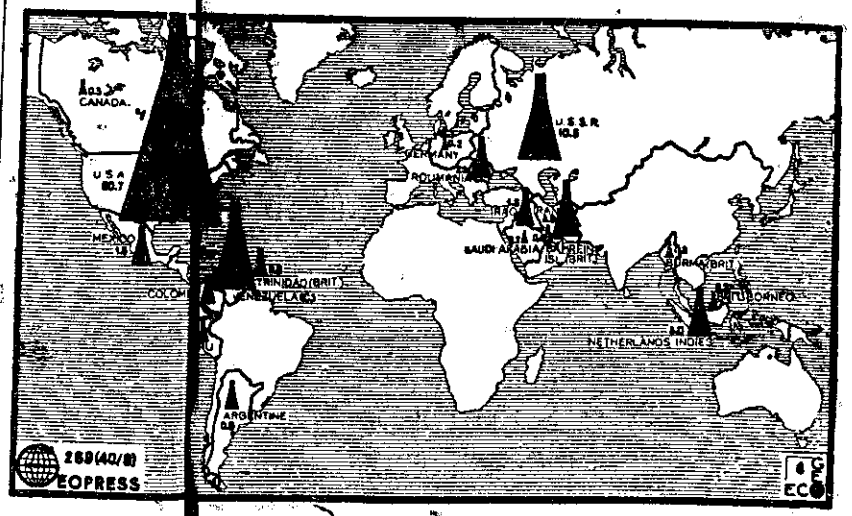
LONDON EXCHANGES

(Reuter's Special Commercial Service.)

LONDON, March 20.

T. T. London on:	To-day's price.
New York (Closing)	4.02½ to 4.03½
Paris	176½ to 176¾
Madrid	38.70
Montreal	4.43/4.47
Amsterdam	7.53/7.58
Brussels	23.60/23.75
	73.75
	17.85/17.95

WORLD OUTPUT OF OIL IN 1939



The world production of petroleum amounted to 2,074,750,000 barrels in 1939, according to the calculations of Geopress based on the estimates of the Dutch newspaper *Telegraaf* and the information published by the League of Nations. Thus, the previous record of 2,041,720,000 barrels, reached in 1937, has been surpassed and a new record for world production of petroleum has been established.

The classification of the countries of production in order of importance has remained much the same as for last year. At the end of the list Saudi Arabia appears for the first time as an important producing country; on the other hand, Poland is merely shown for purposes of comparison, following upon her disappearance as a State.

We give below a comparative table, for the years 1939 and 1938, of the principal producing countries for petrol in order of importance expressed as a percentage of the world production:—

	1939	1938
1. United States of America	60.7	62.8

Jn 2089

DEWAN'S MINUTE.

GEN. & REV. SECR. 3764 25 MAR. 1940 FINANCIAL BRANCH

Financial Notes

Mysore Duty on Gold

Position of Mining Companies

Rubber Shares Firm

MADRAS, Mar. 23.

FEARS of a peace offensive have, so far, not materialised, to speak nothing of peace itself. Not that the market regards peace likely, but the uncertainty concerning these endless diplomatic moves has a great influence on market sentiment. These fears have mostly been set at rest by the air raid on Sylt.

During the week commodities suffered worse than shares, cotton and jute touching new low levels. It appears that a certain degree of delinking of share and commodity prices has been achieved; otherwise there would have been a drastic drop in many scrips.

Gilt-edged Securities were slightly below, last week's levels, Rupee Paper closing at Rs 94 after touching Rs 93-8. On the other hand, State and Provincial loans appreciated to some extent.

War Loan Success

There were two interesting announcements for the London Stock Exchange this week. One was that the new war loan had been oversubscribed, which was as expected. But referring to the issue of Government Securities in future Sir John Simon, Chancellor of the Exchequer said the policy of the Government was to stabilise the interest rates and to secure that the yield offered on future loans would be in conformity with the recent 2 per cent. Conversion Loan and the 3 per cent. new War Loan. That is to say the interest offered in future for short-term loans will be about 2 per cent. and for long-term loans about 3 per cent.

The other announcement was the fixation of new minimum prices for Gilt-edged stocks. Although this caused some surprise in market circles, it is generally held that new minimum prices were long overdue, present prices bearing no relationship to the original minima. It pledges the authorities not to permit any appreciable setback in gilt-edged securities and is a protection to the market, since investors, knowing the maximum limit of decline, can feel more confidence.

Mysore Duty on Gold

The decision of the Mysore Government to levy an excise duty on the sale of gold came as an unpleasant surprise to holders of Indian gold mining shares. In spite of good balance-sheets, Nundydroogs sagged from 30s. to 27s. 6d. and Champion Reefs from 37s. 6d. to 36s. 3d. The excise duty will take away three-quarters of the difference between Rs 100 and the sale price of gold per ounce. At 1s. 6d. exchange, Rs 100 is equivalent to 150s. and the present price of gold being 168s., of the difference of 18s., 13½s. will be appropriated by the State.

This certainly looks a bit hard for shareholders, but it should be remembered that the pre-war price of gold was only about 148½s. Therefore, not only normal profits are assured to shareholders, but also a share of increased earnings during wartime.

Coal Shares

Indian markets do not seem to have appreciated the significance of the Excess Profits Tax changes. Calcutta advices state that coal shares have still not regained the confidence of the investing public. The additional standard period given, 1937-38 and 1938-39, covers the brightest period in the history of the coal industry in the post-war period.

The announcement this week that the Ministry of Supply in the United Kingdom has decided to ration steel exports to India may prove a good point for Steel shares in this country. Though the quota for India does not involve any serious reduction of normal imports, it is possible that steel prices will go up a little in the future. That would mean higher prices for shares.

Rubber shares in the local market are almost unchanged in spite of the drastic fall in commodity rubber in London. Messrs Paterson and Co. report that a similar decline has taken place in the price of rubber in India. Uncouponed rubber is now quoting at 35 cents per lb. The price of couponed rubber, however, has improved from around 14 cents per lb. to 20 cents per lb. M. Mail — Mond 23/— 1940

Have you seen this?

JNJ
26-3-40

Submitted. I had already written to Jinnah Cable. All such services are being filed in the Financial Branch in support of your action.

AVC
26.3.40

Dewan

JNJ
26-3-40

JNJ
26.3.40

DEWAN'S MINUTE.

FILE No. 193 .

GEN. & REV. SECRETARIAT
23 MAR 1940
FINANCIAL BRANCH

Financial Times

19 MAR 1940

Da

An Investor's Note Book

MINIMUM PRICES CONFUSED

NEW IMPOST ON INDIAN GOLD

Indian Gold Levy

The four veteran Indian producers are the latest gold mines to have a war levy imposed upon them. As is the case on the Australian, Rhodesian and West African goldfields and as it was until quite recently on the Rand, the new charge takes the objectionable form of a duty on the gross value of the product, not a tax upon profits. The State of Mysore is to take three-quarters of the proceeds realised for gold above 150s an ounce.

It is particularly hard that a fresh bite at Indian gold mine earnings should be made at this juncture, because next month there comes into full operation the higher scale of royalties which were included in the new leases agreed upon six years ago. The broad effect must be to render it unprofitable to work a considerable proportion of very low grade ore, so reducing the remaining lives of the mines.

In anticipation of the royalty increase, dividends have lately been conservative. Nevertheless, at yesterday's reduced share prices it will be seen that comparatively high yields are shown:—

Share	Present price	Dividends 1938	Dividends 1939	Yield %
Champion Reef	36/3	4/0	4/0	11
Mysore	26/10½	2/9	2/9	10.2
Nundydroog ...	28/9	4/9	4/3	14.8
Ooregum	11/6	/6	*/6	†8.7

* Interim. † Assuming 1s for year.

The Nundydroog is the shallowest of the quartet, but all four have long since seen their best days. A wiser policy on the part of the Mysore Government would be to encourage the mining of every ton of gold-bearing ore.

Since 1886 the Mysore has paid out over £11,600,000 in dividends, while since 1894 the Champion Reef has distributed some £5,700,000. Unhappily no one can put back into the mines the gold already extracted, but they should last a good many years longer—always provided that the tax authorities and labour are not too exacting.

Financial Times

19 MAR 1940

MYSORE IMPOSES MINING TAX

PROFIT ABOVE 150s PER OZ. TAPPED

The Mysore, Champion Reef and Nundydroog gold-mining companies have been advised by cable that the Government of Mysore has imposed a duty on gold amounting to three-quarters of the amount by which the sale price of gold exceeds Rs.100 (150s. per ounce). The duty will take effect as from 22nd March

SHARES MARKED DOWN

The Indian gold mines already contribute substantially to the revenue of the Mysore Government through the royalties payable under the terms of their leases. In 1934 these leases, which were due to expire this month, were renewed for a period of 30 years on terms that involved heavier royalty payments than under the old leases.

Royalty at the rate of two-thirds of the new scale was payable forthwith when the new leases were negotiated—payment at the full rate comes into force at the beginning of next month. Then the mines will have to pay:—

(1) A royalty of 5 per cent. on the net sale proceeds of gold produced.

(2) A profits royalty varying with the rate of dividend paid.

This, of course, is in priority to the new export duty on gold now announced. The news was not known in the Stock Exchange until after lunch. The shares were marked down and the margins between buying and selling levels widened. Champion Reef were lowered 1s 3d to 36s 3d, Mysore 1s 1½d to 26s 10½d and Nundydroog 1s 3d to 28s 9d. Ooregum were maintained at 11s 6d.

M 2134

OFFICE OF THE
FIRST MEMBER OF COUNCIL
APR 2 1940
No 9067

For perusal

(15th Mar)

Finance Brown

Romeike & Curtice Ltd
Telephone CENTRAL 7781 (2 Lines.)
35. Shoe Lane. LONDON. E.C.4.

EXTRACT FROM

Daily Mail

Date

Gold Tax in India

GOVERNMENT of Mysore have imposed a duty on gold amounting to three-quarters of the amount by which the sale price exceeds Rs. 100 (150s.) per ounce. The duty will take effect from March 22.

Financial Sy)

3/- 28-46

SOUTH AFRICA REVISES GOLD TAXATION POLICY.

THE TIMES 1785 nal - March 2, 1940).

19 MAR 1940

Date

DUTY ON INDIAN GOLD

John Taylor and Sons announce, on behalf of the Mysore, Champion Reef, Ooregum, and Nundydroog goldmining companies, that cabled advice has been received that the Government of Mysore have imposed a duty on gold amounting to three-quarters of the amount by which the sale price of gold exceeds Rs.100 (150s.) an ounce. The duty will take effect from March 22.

n the South African Parliament
ining taxation made by the Finance
ednesday is welcome evidence that the
inelastic in its reactions to novel
ssor. When Mr. Hofmeyr succeeded
General Herzog's Government hopes
realistic view would prevail as to the
but obviously until the new Budget
was presented it was unlikely that anything would be done.
Our South African correspondent mentions this week representation regarding the unfavourable results of the current mine taxation policy having been received from the Miners' Union and Mr. Hofmeyr found it necessary to defend the Administration against the suggestion that four large mines were in danger of being closed down within the next 15 months. While only very partial reports of his speech are available here at present, and it is necessary therefore to resort to some interpretation of what appears to be the general sense of the statement, the central point is that the mines are no longer to be limited to a price of 150s. per fine oz. in their sales to the Government irrespective of what the sterling price of gold may be. Incidentally Mr. Hofmeyr exphasised the great importance of maintaining the linking of South African exchange with sterling. It will be recalled that the South African Government intercepted the whole of the increase in the price of gold made by the authorities in this country at the outbreak of war, the difference being between 150s. and 168s. In practice the rake off was more like 20 s. per fine oz. as the market had advanced from 148s. to 150s. only a few days before war was declared. Thus the mines were deprived of something like £.1,000,000 a month which the advance in price due to the war would have represented.

To

To meet their loss the Government propose to make a levy on taxable income before deduction of redemption and depreciation allowances of 9%, which it is calculated should yield about £.3,500,000. There is a small levy on the diamond industry and an excess profits duty of 10s. in the £ on other businesses. Thus the objectionable principle of imposing all extra taxation on the gold mining industry appears to have been removed and one of the chief complaints that gold mining had been singled out to bear the whole brunt of the additional taxation due to the war has been met. It is obvious that a tax levied on gold production fell particularly hardly on the low grade mines. We have always maintained as a principle that taxation of the gold mining industry should be on profits and not on the value of the gross output which is the principle of a royalty tax. The latter policy, of course, hi low grade and new and struggling mines and there can be little doubt that the present Union administration has seen the writing on the wall in the cessation of activity in developing properties already hambered by the ban against new issues in London. While it seems to us that the adoption of this more proper principle in the incidence of taxation is the most important aspect of the new fiscal provisions, the mines stand to gain considerably in the matter of actual contribution. On the basis that the late Government ~~xxxthxxxxxxxxxx~~ levy was 18s. per ton, the revenue to to the Government in the current/fiscal year would it is estimated have realised £ 11,000,000, whereas the new 9% special contribution on profits is expected to yield £3,500,000. The record of the Herzog Government has not been a happy one in their relation to the gold industry. For twelve months they refused to follow the devaluation policy of Great Britain on the ground that it was dishonest, and so deprived South Africa of much of the benefit which the increased price of gold offered, and only gave way at the last moment when the economic situation of the country made the change imperative. Nor has the mischievious effect of their policy in treating the gold industry as a milch cow of the

Exchequer been confined to South Africa. Administrations elsewhere pointed to the example of the world's greatest gold producing country as justification for following such a leading and we may add convenient example. We trust that the South African change of policy will now induce them to retrace their steps also.

MINING UNIONS AND GOLD PRICE.

A deputation representing a joint Committee of the mining unions interviewed the Minister of Finance Mr. J.H. Hofmeyr in Pretoria recently concerning the modification of the Government's Gold Taxation policy in a manner which would not unduly curtail expansion and prejudice employment. The Committee voiced a very large body of opinions on the Witwatersrand. A memorandum submitted to the Minister stated that the Committee was concerned at the Government's intentions of continuing the policy of the last Government's in appropriating the difference in the selling price of gold between ~~x~~ 150s. an oz. and the actual price, which was about 168s. an oz. It was contended that several of the older producing mines might be seriously affected by a small increase in working costs with the danger of unemployment through their closing down. Other mines in the same category might be affected soon, if not immediately, in the same way through the lowering of their payable ore reserves. The working conditions and wages of all ~~xxxxxx~~ mine employees might be threatened before this happened, and the Government's policy prevented employees from improving their position. Though the increased industrial and agricultural production of the Union would probably now prevent a rise in working costs to the 1920 level, it was reasonable to suppose that working costs would rise materially if the war were a long one. But, as the maximum price obtainable for gold is now restricted to 150s. an oz., even a moderate increase in working costs may lead to a repetition of the 1922 position. Such being the case it is the considered opinkon of the Committee that the Government

3833
2 MAR 1940
FINANCIAL BRANCH

should guarantee a proportion of the increased price of gold above 150s. an oz. as a rebate to off-set such disabilities of the mining industry in order to protect the wages and working conditions of mine employees.

6754

R.S.26/3

For perusal. It is exactly what we have done in the 25-7. margin allowed to the Companies.

27.3.40

Downey

Please see page 2,
The Indian Rhau Market,
which is in rear of
Mah. of Messrs Taylor & Sons.

25-3-40

1940 / Exes. two.

DEWAN'S OFFICE

No. M. 2261/Exts

Awdry House,

Fern Hill,

Nilgiris, 18th April 1940.

My dear Mirza,

Many thanks for sending me these very interesting extracts from the mining magazines, which I return herewith.

Even in 1924 the Taxation Committee found the best method of taxing a product that depends on a wasting asset to be the most difficult of the problems presented to them. In these days of abnormal prices the problem becomes still more difficult. It is perfectly right that the Government should take a share of the abnormally high price, but I venture to doubt if it is sound to take it in the manner in which it is now being done all over the world. The effect of the abnormally high price, in the case of a prudently managed concern, is to enable the management to stop the wastage of wasting assets by leaving the high grade ore and entirely concentrating on the refinement of low grade ore which it does not pay to work in ordinary times. But this may mean that, in spite of the increase in price, the net profit does not show a proportionate increase, and if the mine owner is not allowed to realize the price of the day, he may be compelled to give up milling low grade ore and continue the wastage of his more valuable deposits. In these circumstances it would seem that the proper policy is to base taxation, not on the gross price, but on net profits. This is to some extent arranged for by giving a rebate in the case of concerns milling low grade ore, but that does not seem to be a very scientific way of doing it. It seems a pity that, when there is so much co-operation between the different parts of the Empire in similar matters they cannot get together a body of representatives to discuss and decide on general policy in an important matter of this kind.

Yours sincerely,

G Goodchild

Inamdar Esq.,

18-4-40

RKS

Prices received by British gold producers did not rise equally in all parts of the Empire. Although the official buying price in the United Kingdom was fixed early in September at 168 s. an oz. 14% above the 148s. level that prevailed earlier in the year, S. African producers will for the time being receive only 150s., the remainder of the higher sterling price being retained by the Govt. Australian producers fare somewhat better, receiving the equivalent of 156s. sterling per oz., or about 5% more than before the war began. In Canada, which has the second largest output in the Empire, mine operators have been allowed the full benefit of the 10% increase in the Canadian gold price, now about $38.50 (Canadian) per oz.

Under conditions such as those of recent years, these higher prices would bring conflicting influences to bear on the volume of gold output. They would gradually stimulate expansion of mine capacity through increase in scale of operations of existing properties and the opening of new mines, but they would also tend to reduce the output of existing plants by inducing operators to mill ore of lower grade.

War, however, has created new conditions. Costs, xxx for example, are likely to rise more steeply than they otherwise would. This will to some extent be offset by official action. The South African and Australian Governments will indemnify producers against the effects of increased costs by allowing them higher prices for their gold as costs rise. On the basis of the present official sterling price for gold, costs may rise substantially in these countries without adversely affecting profit margins. Mine

operators

operators may, however, find it increasingly hard to obtain labour and supplies in competition with producers of other goods. The extent to which these difficulties will be allowed to interfere with mining will depend largely on the policy of the British Government, which has assumed wide control over the production and distribution of essentials.

61

The excess-profits tax imposed as a war measure threatens serious interference with many mine operators. Objections by the Mining Industry point to the dangerous principle of a capital-gains tax and until the 32B Clause of the Income Tax Act is amended, the potentially large expansion of mining will be held back. In the first two months after introducing this much criticised legislation each case has been examined on its own merits at Ottawa, with the attitude that the mineral industries are not expected to bear an unequal share of the burden of War taxes.

It was announced earlier this month that the Southern Rhodesian Government had decided to increase the basic price of gold from 150 s. to 152 s. an oz. The increase, it is stated, is to be retrospective from January 21, but the banks will pay the higher price only as from March 5, less charges. The difference in price between January 21 and March 5 is to be paid by the Treasury.

156.

Mining Unions and Gold Price.- A deputation representing a joint committee of the Mining Unions waited on the Minister of Finance in Pretoria recently to present their case for a modification of the Government's gold taxation policy in a manner which would not unduly curtail expansion and prejudice employment. The committee voiced a very large body of opinion on the Witwatersrand. A memorandum submitted to the Minister stated that the committee was concerned at the Government's intention of continuing the policy of the last Government in appropriating the difference in the selling price of gold between 150s. an oz. and the actual price. The committee contended that several of the older producing mines might be seriously affected by a small increase in working costs, with the danger of unemployment through their closing down. Other mines in the same category might, if not immediately, be affected soon in the same way through the lowering of their payable ore reserves. The working conditions and wages of all mine employees might be threatened before this happened and the Government's policy prevented employees from improving their position. Though

the increased industrial and agricultural production of the nion would probably now prevent a rise in working costs to the 1920 level, it was reasonable to suppose that working costs would rise materially if the war was a long one. As the maximum price obtainable for gold is now restricted to 150s. an oz., however, even a modified increase in working costs may lead to a repetition of the 1922 position. Such being the case, it was the considered opinion of the committee that the Government should guarantee a proportion of the increased price of gold above 150s. an oz. as a rebate to offset such disabilities of the mining industry in order to protect the wages and working conditions of mine employees. The committee indicated, however, that it would only propose a rebate on the assumption that the Government would adhere to its present policy. It is of the opinion that the best method of assistance would be to allow play to the full gold price so that all payable ore would be worked, while also altering the existing taxation formula to enable the Government to obtain from the industry the money it requires in a manner which would not unduly curtail expansion and prejudice employment, wages and working conditions. It was suggested that inspectors with the same powers as inspectors for lease areas could be appointed to prevent the grade of ore milled being drastically altered to avoid the taxation formula. The Minister was urged to allow small mines to sell their gold for the full price, so that the wages and working conditions could be raised to the level of those on the large hand mines.

EXTRACT FROM

Financial Times

18 APR 1940

COMPANY MEETING REPORTS

MYSORE GOLD MINING

INCREASED TONNAGE CRUSHED AND HIGHER WORKING PROFIT

DISTRIBUTION AFFECTED BY TAXATION

SIR C. INNES ON MYSORE GOVERNMENT'S NEW IMPOST

The sixtieth ordinary general meeting of the Mysore Gold Mining Company, Ltd., was held yesterday at Southern House, Cannon-street, E.C.

SIR CHARLES A. INNES, K.C.S.I., C.I.E. (chairman of the company), presided.

The Secretary (Mr. F. H. Williams, F.C.I.S.) read the notice convening the meeting and the report of the auditors.

The Chairman said: Ladies and gentlemen,—The accounts disclose what you will no doubt agree to be very satisfactory results. 236,617 tons of ore were crushed and treated in the year, this being 28,431 tons in excess of the 1938 figure. Indeed, it is the highest figure for 20 years. The average assay value of the ore milled was 8.55 dwts of gold per ton, and the amount of fine gold produced was 99,127 ozs, or 646 ozs less than in 1938.

You will note the reduction in the grade of ore milled. It is the result of our policy of taking advantage of the present high price of gold to mill a lower grade of ore in order to conserve as far as may be our resources of high-grade ore. You may have noticed from the January and February returns that we are developing this policy in the current year. On the other hand, the average price realised for the gold produced improved from £7 2s 2¾d per ounce to £7 14s 10¼d, and after deducting the 5 per cent, royalty on net sale proceeds payable to the Mysore Government, and making certain other adjustments, the total receipts were £735,365.

Working expenses at £387,359 were some £6,500 higher than in 1938, the increase being due mainly to the greater tonnage dealt with. We have also to provide £19,037 for additional royalty to the Mysore Government.

PROFIT, TAXATION AND DIVIDEND

Thus the working profit for the year was £328,967, and with the addition of the amount brought in and certain dividends the amount at credit of profit and loss is £341,820. This is no less than £48,129 in excess of last year's figure, and it is most disappointing that we have not been able to increase the final dividend by 3d to 2s 3d per unit of stock. But the British income-tax, as you know, has been increased from 5s 6d to 7s in the £, with effect from April last, and, as you are also aware, an Excess Profits Tax has been imposed by H.M. Government. We have had, therefore, to increase our provision for taxation from £61,000 last year to £102,000, and this increase of £41,000 has swallowed up all but £7,000 of our extra profit.

I must confess, however, that I do not see that we have any real ground for complaint against this extra taxation on our profits. The increase in these profits is entirely due to the higher price of gold which again is due to the depreciation of [illegible] terms of the dollar, which able on the dividend or "adjusted profit," whichever is higher, will come into force. That means that the rates will be increased by 50 per cent., since at present, as we informed you in a circular dated the 8th March, 1934, we pay two-thirds of the full rates. Again, the contract which the Kolar Gold Field Companies have with the Government of Mysore for the supply of electric power to the mines from the Cauvery Power Scheme expires at the end of the current year, and one of the principal objects of Mr. Kenneth Taylor's recent visit to the field was to conduct the negotiations for a new contract. The negotiations, as you can imagine, were very complicated, and the new contract has not yet been finally settled. As far as can be judged at present, in some respects it will not be unfavourable, but the most important point—namely, the rate to be charged per unit of power—is still outstanding, and there is still, I am afraid, a gap between the price which we think we ought to pay and the price which the Government of Mysore desires to charge.

It is clearly wrong that the gold-mining industry should be charged more for power merely to increase the revenue of the Mysore Government. In my view such an increase can be justified only if it can be shown that the Cauvery Power Scheme does not yield an adequate return on the capital invested in it, and I have no reason to believe that it does not already yield a handsome return. In any case I have no doubt that this is the true criterion to apply, and I hope that the Mysore Government on further consideration will moderate its demands.

MYSORE GOVERNMENT'S NEW TAXATION

As was recently announced in the public Press, the Government of Mysore have also given notice that they have decided to follow the example originally set up by the Government of the Union of South Africa. You no doubt know that just before the war broke out the price of gold began to rise, and the Union Government announced that they would appropriate to themselves the whole of the receipts of the South African gold-mining companies from the sale of gold in excess of 150s an ounce. The original intention of the Mysore Government, as communicated personally to Mr. Taylor, was to do the same, but in view of the objections pointed out by him with great force they finally decided to content themselves with expropriating, with effect from 22nd March last, three-quarters of our receipts from the sale of gold in excess of Rs.100 per ounce.

Now I have just told you that the additional income-tax and the Excess Profits Tax imposed by the British Government after the outbreak of war swallowed up nearly the whole of the additional profit we made in 1939 [illegible]

If, for instance, we take an imaginary year and assume that in that year we produced, as in 1939, 99,127 ozs of gold, and that the average price realised for that gold was £8 6s per ounce, then the gross receipts from the sale of that gold would be £822,755. The 5 per cent. royalty due on this sum is £41,138. But the effect of the new tax is that the Mysore Government would first take £59,475, being three-quarters of the excess price over Rs.100 per ounce, and then 5 per cent. on the balance of the sale proceeds amounting to £38,164.

In other words, it would levy a tax on the sale proceeds of £97,639, or £56,501 more than we are required by our mining leases to pay by way of royalty on these proceeds. In effect, that is, the new tax raises the rate of royalty, on these figures, from 5 per cent. to nearly 12 per cent.

MITIGATING FACTORS

That is a big increase, but as they proceed the calculations become more reassuring. They show, for instance, that the burden of the new tax will be offset to a great extent by reductions in the additional royalty payable to the Mysore Government and in the provision to be made for income-tax and Excess Profits Tax. Indeed, it appears that the new tax will operate much more to the disadvantage of the British Government than that of the company. I doubt whether the Mysore Government realised this fact when it imposed the tax. This, however, is by way of parenthesis.

From your point of view the most important fact brought out by the calculations is that though the net profits of the company will inevitably be affected by the new tax, they will not be affected nearly so seriously as at one time we feared. The impact of the blow on this particular company has been softened by the fact that last year we became liable to Excess Profits Duty.

I am afraid that I have made some outspoken criticism of the new tax, and I much regret that I have been compelled to do so, especially in view of the generally cordial relations existing between H.H. Government and the gold mining companies at Kolar, but it is only right that I should give the stockholders of the company a frank exposition of the case as it is viewed by the directors.

We have had a report from Mr. Pryor who visited the field last summer, as well as from Mr. Taylor, and I am glad to say that both reports were eminently satisfactory. Encouraging results have been obtained in the deep levels, but probably the most important feature of the year's work has been the development in the upper levels and the reclamation of low grade blocks and of ore isolated by previous rockbursts.

Work in these areas demands great care and a high degree of skill, and it is a tribute to our superintendent, Mr. C. B. Taylor, and his staff that they have been so successful. It is also expensive, as I have already told you, but the importance of it lies in the fact that if we are able to carry it on with continued success it should have the effect of prolonging the life of the mine.

MR. KENNETH B. TAYLOR'S STATEMENT

Mr. Kenneth B. Taylor, M.C., said that at the last meeting he had laid some emphasis on the value of the development work that was being done in the upper horizons of the mine. From what he had seen of it during a recent visit to the property he thought its potentialities were even greater than he had previously contemplated. While he was in India he had taken the opportunity of examining very fully the question of the layout for continuous operations in depth, because they were approaching the 96th level, which was the maximum depth for which the existing winding engines were designed. To carry on the mine in depth below the 96th level three new shafts would be needed, equipped with winding engines, designed to hoist from a vertical depth of 3,000 ft. The question of working conditions in the future had also been discussed, because in the hot months of the year conditions were already very trying at the depth they had at present reached. There could [illegible]

It is not surprising, therefore, that H.M Government have appropriated to themselves almost the whole of the increase in our profit, and considering the great increase of our national expenditure and the Government's urgent need for additional sources of taxation, I do not suppose that any stockholder will grudge them the money.'

NEED FOR CONSERVING RESOURCES

In spite, however, of this additional taxation, we might have raised the dividend had we been prepared materially to cut down our provision for capital expenditure, but we decided against this course. The reasons which influenced our decision were partly the general reasons pointing to the need for conservative finance to which I referred in some detail last year. In present circumstances of course they carry even greater weight. We are engaged in a gigantic struggle, and no one can say what the future has in store for us.

At such a time the prudent course clearly is to conserve our resources. But apart from these general considerations, there are other considerations of a more particular character which we had to take into account. Some of them you know already. You know, for instance, that our leases expired on the 22nd March last, and that under the new leases higher rates of additional royalty pay-

I said further that I did not think that the stockholders had any real cause for complaint, since our additional profit was entirely due to the higher price of gold, which again was the direct result of the war.

WRONG IN PRINCIPLE

At first sight it might appear that the same considerations apply in respect of the Mysore Government's proposal, but this is not so. There is an important difference in that this new tax is not a tax on profit. It is an expropriation of part of our gross receipts from the sale of gold. A tax of this nature is open to obvious objection, and it is particularly unfair to this company. I have just told you that our present policy is to take advantage of the high price of gold to mill a lower grade of ore in order to conserve our stocks of high-grade ore and thus prolong the life of the mine. Clearly, however, it is not so profitable to mill low-grade ore as high-grade ore. In order to obtain a given quantity of gold you have to extract, transport to the surface and mill a greater tonnage of ore. That means more labour cost and higher expenses. But the new tax takes no account of the profit factor or of increased costs. The tax, indeed, is entirely wrong in principle, and the Government of the Union of South Africa have now recognised the objections to it and have substituted a tax on profits for their original proposal.

INJURIOUS IN OPERATION

The tax, however, is not only objectionable in principle. It may also be injurious in operation, and we shall have to consider very carefully the effect of it on our policy of expanding still further the mining of low-grade ore. Clearly such an unusual method of taxation requires special justification. The Government of the Union of South Africa justified their original proposal as a measure to prevent speculation in the shares in gold-mining companies, and the Commonwealth Government of Australia introduced similar taxation owing to the exigencies of war finance. The Mysore Government has also announced that its new tax is an emergency measure, but we have not been told what the precise nature of the emergency is.

As far as I am aware, the Government has not been put to any appreciable increase of military expenditure by the war, and if the tax has been imposed merely as a convenient way of raising additional revenue to meet the rising cost of administration, I do not think that that is sufficient justification for a tax which offends against the ordinary principles of taxation.

It has to be remembered that already the Mysore Government derives considerable revenue from the company. Last year we paid them more than £98,000 in royalty, additional royalty and income-tax. Moreover, all these heads are what are known as growing heads of revenue. The higher the price of gold and the more profit we make, the more we pay them under each head.

EFFECT ON COMPANY

Naturally, however, what you are most anxious to know is how the new tax is likely to affect your interests as stockholders in this company, and I now will address myself to this question. I can deal with it only in general terms. We have made the most careful calculations as to the effect of the tax, and no pains were spared to make them as accurate as possible, but I am reluctant to commit myself to definite figures lest they be misunderstood. The first point brought out is that the tax is a very heavy one.

soon the installation of a plant to cool and reduce the moisture content of the down-cast ventilating air would be a necessity if working conditions were to be tolerable and efficiency maintained. The advantages thus to be gained had been so abundantly proved by the plant put in by the Ooregum Company that it had been decided to proceed with a similar plant at Mysore.

In considering the programme of development work, the potentialities of the upper levels were so promising that it would undoubtedly be wise to embark on an extended programme of work there, which was being done. At the same time, development work in depth would be somewhat reduced. From estimates, unless in these difficult days they were upset by rising costs, it should be possible to provide the cost of the whole scheme with but a minor call on the company's capital resources.

ORE RESERVES

The estimate of the ore reserves at the close of the year was 459,000 tons—an increase of 6,000 tons—and the grade was 10.8 dwts per ton, a decline of rather more than ½ dwt. With the increasing price for gold that had been enjoyed in recent times, shareholders would appreciate that more and more areas of low grade ore developed in the early days had become payable, but more important still had been the encouragement that it had given to explore in previously undeveloped areas. He could not, therefore, deplore too strongly any method of taxation such as the Government of H.H. the Maharajah of Mysore had now imposed, which must put a brake on that aspect of development.

The recovery of gold last year had been very much on a par with the previous year, as the decrease in grade of just over 1 dwt had been almost made up by treating an extra 28,500 tons of ore in the mill. In spite of that extra tonnage, the aggregate working expenditure increased by only a small amount, so that there was a satisfactory decline of 3s per ton of ore milled in the working costs, and of more than 1s 1d in the cost of development.

Mr. Taylor concluded by paying a tribute to the good work of the superintendent and the whole of the staff on the field.

The report and accounts were unanimously adopted, the retiring directors, Sir George S. Barnes, K.C.B., K.C.S.I., and Mr. Edgar Taylor, were re-elected, and the auditors, Messrs. Turquand Youngs McAuliffe and Co., were reappointed.

EXTRACT FROM
FINANCIAL NEWS,
20, Bishopsgate, E.C.2.

Date 18 JAN 1940

COMPANY MEETINGS

THE MYSORE GOLD MINING CO.

Biggest Tonnage Crushed for Twenty Years

POLICY OF DEALING WITH LOW-GRADE ORE

The Indian Gold Price Tax

SIR CHARLES INNES EXPLAINS THE LEVY AND ITS MEANING

The sixtieth ordinary general meeting of the Mysore Gold Mining Co., Ltd., was held yesterday at Southern House, Cannon-street, E.C., Sir Charles A. Innes, K.C.S.I., C.I.E., the chairman of the company, presiding.

The Secretary (Mr. F. Williams, F.C.I.S.) having read the notice convening the meeting and the report of the auditors,

The Chairman, in moving the adoption of the report and accounts, said: Ladies and gentlemen, the accounts disclose what you will no doubt agree to be very satisfactory results; 236,617 tons of ore were crushed and treated in the year, this being 28,431 tons in excess of the 1938 figure. Indeed it is the highest figure for twenty years. The average assay value of the ore milled was 8.55 dwt. of gold per ton, and the amount of fine gold produced was 99,127 oz. or 646 ounces less than in 1938. You will note the reduction in the grade of ore milled. It is the result of our policy of taking advantage of the present high price of gold to mill a lower grade of ore in order to conserve, as far as may be our resources of high-grade ore. You may have noticed from the January and February returns that we are developing this policy in the current year. On the other hand, the average price realised for the gold produced improved from £7 2s. 2¾d. per ounce to £7 14s. 10½d., and after deducting the 5 per cent. royalty on net sale proceeds payable to the Mysore Government, and making certain other adjustments, the total receipts were £735,365. Working expenses at £387,359 were some £6,500 higher than in 1938, the increase being due mainly to the greater tonnage dealt with. We have also to provide £19,037 for additional royalty to the Mysore Government. Thus the working profit for the year was £328,967, and with the addition of the amount brought in and certain dividends, the amount at credit of profit and loss is £341,820. This is no less than £48,129 in excess of last year's figure, and it is most disappointing that we have not been able to increase the final dividend by 3d., to 2s. 3d. per unit of stock.

BRITISH TAXATION

But the British income-tax, as you know, has been increased from 5s. 6d. to 7s. in the £, with effect from April last, and, as you are also aware, an Excess Profits Tax has been imposed by H.M. Government. We have had, therefore, to increase our provision for taxation from £61,000 last year to £102,000, and this increase of £41,000 has swallowed up all but £7,000 of our extra profit.

I must confess, however, that I do not see that we have any real ground for complaint hope that the Mysore Government, on further consideration, will moderate its demands.

THE GOLD TAX

This, however, is not the end of the story, for as was recently announced in the public Press, the Government of Mysore have also given notice that they have decided to follow the example originally set up by the Government of the Union of South Africa. You no doubt know that just before the war broke out the price of gold began to rise, and the Union Government announced that they would appropriate to themselves the whole of the receipts of the South African gold mining companies from the sale of gold in excess of 150s. an ounce. The original intention of the Mysore Government, as communicated personally to Mr. Taylor, was to do the same, but in view of the objections pointed out by him with great force, they finally decided to content themselves with expropriating, with effect from March 22nd last, three-quarters of our receipts from the sale of gold in excess of Rs.100 per ounce.

Now I have just told you that the additional income-tax and the Excess Profits Tax imposed by the British Government after the outbreak of war swallowed up nearly the whole of the additional profit we made in 1939, and I said further that I did not think that the stockholders had any real cause for complaint since our additional profit was entirely due to the higher price of gold, which again was the direct result of the war. At first sight it might appear that the same considerations apply in respect of the Mysore Government's proposal, but this is not so. There is an important difference in that this new tax is not a tax on profit. It is an expropriation of part of our gross receipts from the sale of gold. A tax of this nature is open to obvious objection, and it is particularly unfair to this company. I have just told you that our present policy is to take advantage of the high price of gold to mill a lower grade of ore in order to conserve our stocks of high-grade ore and thus prolong the life of the mine. Clearly, however, it is not so profitable to mill low-grade ore as high-grade ore. But the new tax takes no account of the profit factor. It takes the same fraction of the gold price whether the gold is produced from low-grade or high-grade ore.

The Government of Mysore no doubt argue that even after the new tax has been deducted, we should be left with as high a price for gold as we got on the average in 1939, and that therefore we have not much reason to complain, but this argument overlooks the fact that gold is not the only commodity the price of which has gone up owing to the war. If the war is prolonged there is no doubt that the cost of producing our gold must increase. This is another factor for which the new tax makes no allowance. The tax, indeed, is entirely wrong in [illegible]

speak with much greater knowledge and authority on this subject than I can. Mr Kenneth Taylor's report on general conditions in the mine and on such matters as housing, sanitation, welfare work and the Safety First movement is very satisfactory in every way. It is evident that in Mr. C. B. Taylor and his officers we have an exceptionally able team, and our thanks are due to them as also to Dr Roantree and his staff for the excellent care they take of the health of the operatives. I must also tender our best thanks to our able managers, and especially to Mr. Kenneth Taylor.

MR. KENNETH B. TAYLOR'S STATEMENT

Mr. Kenneth B. Taylor, M.C., in seconding the motion, recalled that at the last meeting he had laid some emphasis on the value of the development work that was being done in the upper horizons of the mine. From what he had seen of it during a recent visit to the property he thought its potentialities were even greater than he had previously contemplated. While he was in India he had taken the opportunity of examining very fully the question of the layout for continuous operations in depth because they were approaching the 96th level which was the maximum depth for which the existing winding engines were designed. To carry on the mine in depth below the 96th level three new shafts would be needed equipped with winding engines designed to hoist from a vertical depth of 3,000 ft. The question of working conditions in the future had also been discussed, because in the hot months of the year conditions were already very trying at the depth they had at present reached. There could be no doubt that soon the installation of a plant to cool and reduce the moisture content of the down-cast ventilating air would be a necessity if working conditions were to be tolerable and efficiency maintained. The advantages thus to be gained had been so abundantly proved by the plant put in by the Ooregum company, that it had been decided to proceed with a similar plant at Mysore.

In considering the programme of development work, the potentialities of the upper levels were so promising that it would undoubtedly be wise to embark on an extended programme of work there, which was being done. At the same time development work in depth would be somewhat reduced. From estimates, unless in these difficult days they were upset by rising costs, it should be possible to provide the cost of the whole scheme with but a minor call on the company's capital resources.

The estimate of the ore reserves at the close of the year was 459,000 tons—an increase of 6,000 tons—and the grade was 10.8 dwt. per ton, a decline of rather more than ¼ dwt. With the increasing price for gold that had been enjoyed in recent times, shareholders would appreciate that more and more areas of low-grade ore developed in the early days had become payable, but more important still had been the encouragement that it had given to explore in previously undeveloped areas. He could not, therefore, deplore too strongly any method of taxation such as the Government of H.H. The Maharajah of Mysore had now imposed, which must put a brake on that aspect of development.

The recovery of gold last year had been very much on a par with the previous year, as the decrease in grade of just over 1 dwt. had been almost made up by treating an extra 28,500 tons of ore in the mill. In spite of that extra tonnage, the aggregate working expenditure increased by only a small amount, so that there was a satisfactory decline of 3s. per ton of ore milled in the working costs, and of more than 1s. 1d. in the cost of development.

Mr. Taylor concluded by paying a tribute to the good work of the superintendent and the whole of the staff on the field.

The report and accounts were unanimously adopted, the retiring directors, Sir George S. Barnes, K.C.B., K.C.S.I., and Mr. Edgar Taylor were re-elected, and the auditors, Messrs. Turquand Youngs, McAuliffe and Co., were reappointed.

profits." The increase in these profits is entirely due to the higher price of gold, which again is due to the depreciation of sterling in terms of the dollar, which again is the direct result of the war. It is not surprising, therefore, that H.M. Government have appropriated to themselves almost the whole of the increase in our profit, and considering the great increase of our national expenditure and the Government's urgent need for additional sources of taxation, I do not suppose that any stockholder will grudge them the money.

In spite, however, of this additional taxation, we might have raised the dividend had we been prepared materially to cut down our provision for capital expenditure, but we decided against this course. The reasons which influenced our decision were partly the general reasons pointing to the need for conservative finance to which I referred in some detail last year. In present circumstances, of course, they carry even greater weight. Apart from general considerations, there are other considerations of a more particular character which we had to take into account. Some of them you know already. You know, for instance, that our leases expired on the 22nd March last, and that under the new leases higher rates of additional royalty payable on the dividend or "adjusted profit," whichever is higher, will come into force. That means that the rate will be increased by 50 per cent.; since at present, as we informed you in a circular dated the 8th March, 1934, we pay two-thirds of the full rate.

THE POWER CONTRACT

Again, the contract which the Kolar Gold Field Companies have with the Government of Mysore for the supply of electric power to the mines from the Cauvery power scheme expires at the end of the current year, and one of the principal objects of Mr. Kenneth Taylor's recent visit to the field was to conduct the negotiations for a new contract. The new contract has not yet been finally settled. As far as can be judged at present, in some respects it will not be unfavourable, but the most important point, namely, the rate to be charged per unit of power, is still outstanding, and there is still, I am afraid, a gap between the price which we think we ought to pay and the price which the Government of Mysore desires to charge. The companies are entirely in the Government's hands in this matter. They are, in fact, the monopolists of power which the companies must have. The Cauvery power scheme is a public utility concern. It is an established principle, in this country at any rate, that a public utility company must be content with a reasonable return on the capital invested in the concern and should not be allowed to exploit the consumers dependent on it, who otherwise would be entirely at its mercy. If the Cauvery power scheme were owned by a public company or corporation, the Government of Mysore would certainly enforce this principle, and since they themselves are the owners of the concern, there is all the more reason why they should set the example of observing it. The Kolar Gold Field Companies consume more than half of the power supplied from the Cauvery, their load factor is a very favourable one, and the gold mining industry is the most important industry in Mysore State. It is clearly wrong that they should be charged more for power merely to increase the revenue of the Mysore Government. In my view such an increase can be justified only if it can be shown that the Cauvery power scheme does not yield an adequate return on the capital invested in it, and I have no reason to believe that it does not already yield a handsome return. In any case I have no doubt that this is the true criterion to apply, and I

[illegible] profits to [illegible] substitute a tax on profits for their original proposal. The tax, however, is not only objectionable in principle, it may also be injurious in operation, and we shall have to consider very carefully the effect of it on our policy of expanding still further the mining of low-grade ore. Clearly such an unusual method of taxation requires special justification.

A LEVY DIFFICULT TO JUSTIFY

The Mysore Government has announced that its new tax is an emergency measure, but we have not been told what the precise nature of the emergency is. As far as I am aware, the Government has not been put to any appreciable increase of military expenditure by the war, and if the tax has been imposed merely as a convenient way of raising additional revenue to meet the rising cost of administration, I do not think that that is sufficient justification for a tax which offends against the ordinary principles of taxation. It has to be remembered that already the Mysore Government derives considerable revenue from the company. Last year we paid them more than £98,000 in royalty, additional royalty and income-tax. Moreover all these heads are what are known as growing heads of revenue. The higher the price of gold and the more profit we make, the more we pay them under each head.

THE POSSIBLE EFFECT

Naturally, however, what you are most anxious to know is how the new tax is likely to affect your interests as stockholders in this company. We have made the most careful calculations as to the effect of the tax, but I am reluctant to commit myself to definite figures lest they be misunderstood. The first point brought out is that the tax is a very heavy one. If, for instance, we take an imaginary year and assume that in that year we produced, as in 1939, 99,127 oz. of gold, and that the average price realised for that gold was £8 6s. per ounce, then the gross receipts from the sale of that gold would be £822,755. The 5 per cent. royalty due on this sum is £41,138. But the effect of the new tax is that the Mysore Government would first take £59,475, being three-quarters of the excess price over Rs.100 per ounce, and then 5 per cent. on the balance of the sale proceeds amounting to £38,164. In other words, it would levy a tax on the sale proceeds of £97,639, or £56,501 more than we are required by our mining leases to pay by way of royalty on these proceeds. In effect, that is, the new tax raises the rate of royalty, on these figures, from 5 per cent. to nearly 12 per cent. That is a big increase, but as they proceed, the calculations become more reassuring. They show, for instance, that the burden of the new tax will be offset to a great extent by reductions in the additional royalty payable to the Mysore Government and in the provision to be made for income-tax and Excess Profits Tax. Indeed, it appears that the new tax will operate much more to the disadvantage of the British Government than that of the company. From your point of view the most important fact brought out by the calculations is that though the net profits of the company will inevitably be affected by the new tax, they will not be affected nearly so seriously as at one time we feared. The impact of the blow on this particular company has been softened by the fact that last year we became liable to Excess Profits Duty.

I am afraid that I have made some outspoken criticism of the new tax, and I much regret that I have been compelled to do so, especially in view of the generally cordial relations existing between H.H. Government and the gold mining companies at Kolar, but it is only right that I should give the stockholders of the company a frank exposition of the case as it is viewed by the directors.

CONDITIONS ON THE FIELD

I have left myself little time to tell you about the mine, but Mr. Kenneth Taylor, who has just returned from the field, can

EXTRACT FROM

MINING WORLD,

Gresham House, Old Broad Street, E.C.2.

6 APR

MYSORE GOVERNMENT AND GOLD MINING INDUSTRY.

The recent announcement that the Mysore Government intends to appropriate 75 per cent. of the proceeds from the sale of gold in excess of 150s. per fine ounce has caused considerable disappointment to a large body of investors in this country. That some addition to the already severe taxation imposed on the industry might be justifiable under war conditions is not denied, but having regard to the fact that it comes just as the mines on the Kolar goldfield are entering upon new leases, the terms of which involve heavier royalties than have hitherto been payable to the Government, this confiscatory policy is viewed with a good deal of resentment.

For more than half a century gold mining has been going on in the Mysore State, and the official records show that the Government have received in royalties over £5,000,000 sterling. Recent royalties have amounted to about £200,000 per annum. But this is not the only way in which the State has benefited; during all those years the industry has maintained a large population, provided accommodation and healthy living conditions, a well-equipped hospital and medical staff, schools and maternity homes, not to speak of various social amenities for the workpeople. At present there are something like 24,000 persons actually employed in gold mining on the Kolar field, in addition to which there are their families and a large number of tradesmen and others whose living depends on the spendings of the mine workers. The amount paid in wages by the companies is between £650,000 and £700,000 per annum.

Although the mines have now reached very great depths they show no signs of giving out—indeed, in one of the deepest mines the ore is very rich in the bottom levels—but they are, naturally, more difficult and costly to work now than they were formerly. The provision of adequate ventilation is one of the great problems, and quite recently air-cooling plant has been installed in some cases. Stope-filling is another expensive and tedious operation, as granite, concrete and steel have taken the place of the old timber supports. It is, in fact, only by constant watchfulness, attention to every new method introduced or device invented, and the exercise of the greatest skill that a high standard of efficiency can be maintained and steady monthly profits earned.

The aim of the managers is to secure the longest possible life for the mines in the interests of all concerned, and, obviously, their profitable existence could be greatly prolonged if the conditions were such as to permit of large-scale treatment of low-grade ore. Were the companies allowed to receive 168s. an ounce for their gold, a further reduction in the pay-limit might be possible which would add years to the lives of the mines.

Daily Express
18/4/40

COMPANY MEETINGS

THE MYSORE GOLD MINING COMPANY LIMITED.

The sixtieth ordinary general meeting of the Mysore Gold Mining Company, Limited, was held yesterday in London.

Sir Charles A. Innes (the chairman) said that the results were very satisfactory. The working profit was £328,967, and with the amount brought in and certain dividends there was available £341,820, or £48,129 in excess of last year. It was most disappointing that it had not been possible to increase the final dividend by 3d. to 2s. 3d. But additional income tax and excess profits tax imposed by the British Government had swallowed up all but £7,000 of their extra profit. They had no real ground for complaint as the increase in profits was entirely due to the higher price of gold which again was due to the depreciation of sterling in terms of the dollar as a result of the war.

It was at the moment clearly prudent to conserve their resources. The Mysore Government had decided to expropriate as from March 22 last three-quarters of their receipts from the sale of gold in excess of Rs.100 per ounce. A tax of this nature, which took no account of the profit factor, and made no allowance for the increased cost of production, was entirely wrong in principle, and might also be injurious in operation as they would have to consider very carefully its effect on their policy of expanding still further the mining of low grade ore.

The new tax was a very heavy one, but it would be offset to a great extent by reductions in additional royalty payments and provision for income tax and E.P.T.

The report was adopted.

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION.

The 59th ordinary general meeting of The Employers' Liability Assurance Corporation, Limited, was held yesterday in London.

Sir Courtauld Thomson, K.B.E., C.B. (the chairman) said that their total premiums, other than for life and marine business, were £6,272,000. Though the volume was less than in 1938, they actually had written more policies. The underwriting profit was £228,000, a satisfactory figure well above that earned in most recent years.

After providing for reserves on a high standard, for heavy taxation, and for dividends at the same rate as a year ago, they had added £63,000 to the amount carried forward, which now stood at £469,000. He thought they would consider that a satisfactory result, particularly for a year partially affected by war conditions.

The directors had declared last September an interim dividend of 1s. 6d. per share, less tax, and now recommended the payment of a final dividend of 2s. per share, less income tax at the appropriate rate in force at the time of payment.

No business could be altogether immune from the effects of war, but, taking into account the geographical distribution of their business, with its high proportion in the British Empire and the United States, its strength in North America and their comparatively small stake on the Continent of Europe, they could feel that they had certain advantages which made it possible for them to face the countless and inevitable difficulties which lay ahead with a reasonable degree of confidence.

The report was unanimously adopted.

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fly off with a wave of the hand."

The Dutch airline company is suffering from two other embarrassments of war. One of them means that their Amsterdam-Lisbon liner has to fly 1,000 miles over the sea without any radio bearings.

Latest and Best News from all parts of the World

Cutting from—

4 APR 1940

The Daily Telegraph 8 APR 1940 Now

49

Date

THURSDAY, APRIL 18,

COMPANY MEETINGS

THE MYSORE GOLD MINING CO. LTD.

A SATISFACTORY YEAR

PROBLEMS OF GOLD TAXATION

The sixtieth ordinary general meeting of the Mysore Gold Mining Co. Ltd. was held yesterday in London.

Sir CHARLES A. INNES (the chairman) said that the results were very satisfactory. The tonnage of ore crushed and treated was the highest for 20 years. Advantage had been taken of the high price of gold to mill a lower grade in order to conserve their resources of high grade ore and they were developing that policy in the current year. The average price realised improved from £7 2s 2¾d per ounce to £7 14s 10¼d. The working profit was £328,967, and with the amount brought in and certain dividends there was available £341,820. That was £48,129 in excess of last year, and it was most disappointing that it had not been possible to increase the final dividend by 3d to 2s 3d. But additional income-tax and excess profits tax imposed by the British Government had swallowed up all but £7,000 of their extra profit. They had no real ground for complaint as the increase in profits was entirely due to the higher price of gold which again was due to the depreciation of sterling in terms of the dollar as a result of the war.

They might still have raised the dividend had they been prepared materially to cut down provision for capital expenditure, but they decided against that course.

It was at the moment clearly prudent to conserve their resources. The Mysore Government had decided to expropriate as from March 22 last three-quarters of their receipts from the sale of gold in excess of Rs.100 per ounce. A tax of this nature, which took no account of the profit factor and made no allowance for the increased cost of production, was entirely wrong in principle and might also be injurious in operation as they would have to consider very carefully its effect on their policy of expanding still further the mining of low grade ore. The new tax was a very heavy one, but their calculations showed that it would be offset to a great extent by reductions in additional royalty payments and provision for income-tax and E.P.T., so that they would not be affected nearly so seriously as at one time was feared.

MR. KENNETH B. TAYLOR'S STATEMENT

Mr. KENNETH B. TAYLOR, M.C., in seconding the motion, recalled that at the last meeting he had laid some emphasis on the value of the development work that was being done in the upper horizons of the mine. From what he had seen of it during a recent visit to the property he thought its potentialities were even greater than he had previously contemplated.

In considering the programme of development work, the potentialities of the upper levels were so promising that it would undoubtedly be wise to embark on an extended programme of work there, which was being done. At the same time development work in depth would be somewhat reduced. From estimates, unless in these difficult days they were upset by rising costs, it should be possible to provide the cost of the whole scheme with but a minor call on the company's capital resources.

The estimate of the ore reserves at the close of the year was 459,000 tons—an increase and the grade was

the Coastal Command observer. A few

Only one enemy, a Junkers, challenged

flashes as soon as the guns opened fire.

diary bombs on enemy aircraft, and

fires resulted. I could see numerous

"I then dropped a number of incen-

ENEMY PLANES ON FIRE

stated. "I began operations by drop-

ping a flare which floodlit the aerodrome

EXTRACT FROM

THE TIMES

1785

18 APR 1970

The Mysore Government's new proposals for taxing gold-producing companies were criticized by Sir Charles A. Innes in his speech at the meeting of the Mysore Gold Mining Company. He pointed out, however, that though the company's net profits would inevitably be affected by the new tax, they would not be affected nearly so seriously as was feared at one time.

EXTRACT FROM

THE TIMES 1785

18 APR 1940

MYSORE GOLD MINING COMPANY

POTENTIALITIES OF THE UPPER LEVELS

SIR CHARLES INNES ON THE NEW TAXATION

The SIXTIETH ORDINARY GENERAL MEETING of the Mysore Gold Mining Company, Limited, was held yesterday at Southern House, Cannon Street, London, E.C.

SIR CHARLES A. INNES, K.C.S.I., C.I.E. (the chairman of the company), who presided, said the accounts disclosed what stockholders would no doubt agree to be very satisfactory results. 236,617 tons of ore were crushed and treated in the year, that being 28,431 tons in excess of the 1938 figure, and was the highest for 20 years. The average assay value of the ore milled was 8.55dwt. of gold per ton, and the amount of fine gold produced was 99,127oz., or 646oz. less than in 1938.

They would note the reduction in the grade of ore milled. It was the result of their policy of taking advantage of the present high price of gold to mill a lower grade of ore in order to conserve their resources of high-grade ore. The average price realized for the gold produced improved from £7 2s. 2¾d. per oz. to £7 14s. 10¼d. The working profit for the year was £328,967, and the amount at the credit of the profit and loss account was £341,820. That was no less than £48,129 in excess of last year's figure. It was most disappointing that it had not been possible to increase the final dividend by 3d. to 2s. 3d. But additional income-tax and Excess Profits Tax imposed by the British Government had swallowed up all but £7,000 of their extra profit. They had no real ground for complaint, as the increase in profits was entirely due to the higher price of gold, which again was due to the depreciation of sterling in terms of the dollar as a result of the war.

MYSORE GOVERNMENT'S PROPOSALS

As was recently announced, the Government of Mysore had given notice that they had decided to follow the example originally set up by the Government of the Union of South Africa. Just before the war broke out the price of gold began to rise, and the Union Government announced that they would appropriate to themselves the whole of the receipts of the South African Gold Mining Companies from the sale of gold in excess of 150s. an oz. The original intention of the Mysore Government was to do the same, but in view of the objections pointed out they finally decided to content themselves with expropriating, with effect from March 22 last, three-quarters of the company's receipts from the sale of gold in excess of Rs.100 per oz. The new tax was not a tax on profit. It was an expropriation of part of their gross receipts from the sale of gold.

A tax of that nature was open to obvious objection and it was particularly unfair to their company. Their present policy was to take advantage of the high price of gold to mill a lower grade of ore in order to conserve their stocks of high-grade ore and thus prolong the life of the mine. Clearly, however, it was not so profitable to mill low-grade ore as high-grade ore, and it meant more labour cost and higher expenses. But the new tax took no account of the profit factor. It took the same fraction of the gold price whether the gold was produced from low-grade or high-grade ore.

The Government of Mysore no doubt argued that even after the new tax had been deducted the company would be left with as high a price for gold as they got on the average in 1939, and [illegible]

much reason to complain, but that argument overlooked the fact that gold was not the only commodity the price of which had gone up owing to the war. The prices of all the materials, machinery, spares, and other stores which were used in the mines were also beginning to rise, and, if the war was prolonged, there was no doubt that the cost of producing gold must be increased. The tax was entirely wrong in principle, and the Government of the Union of South Africa had now recognized the objections to it and had substituted a tax on profits. The tax might also be injurious in operation and they would have to consider very carefully the effect of it on their policy of expanding still further the mining of low-grade ore.

Effect of the New Tax

They had made the most careful calculations as to the effect of the tax, but he was reluctant to commit himself to definite figures lest they be misunderstood. The first point brought out was that the tax was a very heavy one. If, for instance, they took an imaginary year and assumed that in that year they produced, as in 1939, 99,127oz. of gold, and that the average price realized was £8 6s. per oz., then the gross receipts would be £822,755. The 5 per cent. royalty due on that sum was £41,138. But the effect of the new tax was that the Mysore Government would first take £59,475, being three-quarters of the excess price over Rs.100 per oz., and then 5 per cent. on the balance of the sale proceeds amounting to £38,164. In other words, it would levy a tax on the sale proceeds of £97,639, or £56,501 more, than they were required by their mining leases to pay by way of royalty on those proceeds.

The burden of the new tax would be offset to a great extent by reductions in the additional royalty payable to the Mysore Government and in the provision to be made for income-tax and Excess Profits Tax. Indeed, it appeared that the new tax would operate much more to the disadvantage of the British Government than that of the company. From the stockholders' point of view the most important fact brought out by the calculations was that though the net profits of the company would inevitably be affected by the new tax they would not be affected nearly so seriously as at one time they feared.

With regard to the mine, encouraging results had been obtained in the deep levels, but probably the most important feature of the year's work had been the development in the upper levels and the reclamation of low-grade blocks and of ore isolated by previous rock-bursts.

Mr. K. B. Taylor's Statement

Mr. Kenneth B. Taylor, M.C., said that at the last meeting he had laid some emphasis on the value of the development work that was being done in the upper horizons of the mine. From what he had seen of it during a recent visit to the property he thought its potentialities were even greater than he had previously contemplated. While he was in India he had taken the opportunity of examining very fully the question of the layout for continuous operations in depth, because they were approaching the 96th level, which was the maximum depth for which the existing winding-engines were designed. To carry on the mine in depth below the 96th level three new shafts would be needed equipped with winding engines designed to hoist from a vertical depth of 3,000ft.

In considering the programme of development work the potentialities of the upper levels were so promising that it would undoubtedly be wise to embark on an extended programme of work there, which was being done. At the same time development work in depth would be somewhat reduced.

The estimate of the ore reserves at the close of the year was 459,000 tons—an increase of 6,000 tons—and the grade was 10.8dwt. per ton, a decline of rather more than ½dwt. With the increasing price for gold that had been enjoyed in recent times, stockholders would appreciate that more and more areas of low-grade ore developed in the early days had become payable, but more important still had been the encouragement that it had given to explore in previously undeveloped areas.

The report and accounts were unanimously adopted, and a final dividend of 2s. per unit of stock, making a total of 2s. 9d. per unit, or 27½ per cent., was approved.

Financial Times

Da 22 APR 19

MINING MARKET NOTES

DULL WEEK IN KAFFIRS

GOLD PRICE BASIS

By the MINING EDITOR

Kaffirs as well as most other Mining sections were dull last week in sympathy with the general trend. It was noticeable, however, that the Rand dividend-payers had to face little selling on local account. If anything it was a small amount of nervous offering of the more speculative issues from Johannesburg that prompted the mild marking down of prices.

The first of the Rand reports for the opening quarter of the year—those of the Anglo American Corporation group—contain profit and taxation details on the old 150s basis, the new provisions whereby the mines are allowed the full gold price less realisation charges, but have to bear an additional 9 per cent. tax, not yet having become law.

It is hoped (as was stated in our news columns on Saturday) that the new Finance Bill will reach the Statute Book before the end of the month, and it is still possible that some of the quarterlies will thus be published on the actual basis ruling during the period—namely, gold at 163s net and taxation estimates, including the new 9 per cent. levy. Otherwise (unless supplementary figures for the March quarter are cabled after the enactment of the Bill) shareholders will have to wait until July before official figures will be available to facilitate calculations of current earnings available for distribution.

INDIAN GOLD SHARES

The Mysore annual meeting was particularly interesting in that it afforded the first official comment on the effects of the Mysore Government's recent appropriation of three-quarters of the gold proceeds of the Kolar mines above 150s an ounce. Sir Charles Innes vigorously attacked the inequitable nature of this levy on revenue as distinct from profits. All this has been thrashed out in connection with a similar impost on the Rand gold mines—an impost which was rescinded, the South African Government realising that it was an undue burden on the older mines working at considerable depths. This description, needless to say, applies to the Indian concerns.

From a purely monetary viewpoint, Sir Charles indicated that the burdens of the new tax will be offset to a great extent by reductions in the liability for additional lease royalties and for income-tax and E.P.T. The impression gathered is that cuts must be expected in Indian gold-mining dividends, especially as increased expense on air-cooling is being incurred, but, at the reduced share prices, yields (with the help of a modicum of Dominion tax relief) should remain satisfactory enough for mixing purposes.

VLAKFONTEIN

The most cheering feature of the Vlakfontein annual report is the consulting engineer's statement that development results subsequent to the end of the year have shown a marked improvement both as regards value and percentage payability. This no doubt reflects the fact that more attention can be paid to the exploration of shoot zones on the narrow, but rich, Nigel reef now that the company's shaft system has been connected with the Sub Nigel workings.

The 10s shares of Vlakfontein, currently 17s (against over £3 in 1937), are very much of a long shot speculation as far as the production stage is concerned. In the meantime, the problem of obtaining fresh funds will again arise this summer. At the end of 1939 the company had borrowed £345,600 of the £500,000 Five per Cent. loan granted by the interested finance concerns.

Without drawing any immediate implications therefrom it may be borne in mind that, if the difficulties of raising money in war conditions were to become insuperable, some arrangement might well be made for the Sub Nigel to work and mill ore from the property. Technically this would seem quite simple as the ground could just be treated as an extension of the Sub Nigel at depth with a deep-level shaft system all ready for

Financial Times

18 APR 1940

MYSORE GOLD

In submitting that there was no ground for complaint concerning the increase in British income-tax and the E.P.T., having regard to the circumstances in which they have been imposed, Sir Charles A. Innes at the meeting of Mysore Gold Mining Company was not disposed to apply the same considerations to the new taxation of the Mysore Government. The important difference is that the Mysore tax is not a tax on profit, but an expropriation of part of the gross receipts from gold—75 per cent. of the sale price in excess of Rs.100 per ounce. The principle is wrong. It fails to recognise both the profit and cost factors, which vary according to the grade of ore treated.

Sir Charles contends that the new tax may prove injurious in operation. It remains to be seen whether it will discourage an extension of the policy of developing and mining low grade ore, which the company has been pursuing successfully. The tax is heavy, although its effect on profits will be offset to a great extent by reductions in the additional royalty payable to the Mysore Government and in the provision to be made for income-tax and E.P.T.

19 APR 1940

Date

YOUNG INDIANS AND GREAT BRITAIN

SIR,—Most of your readers will have read, as I did, Mrs. Allen's letter with great sympathy. Her point of view is that of the vast majority of freedom-loving people here and in other countries. I hope that you will allow me to answer very briefly the questions raised by her Indian friend and herself.

Her remark that the young Indian scientist had found only a handful of people unwilling that India should now have self-government is surely very significant. Wherever one goes, even in Anglo-Indian (old style) circles, this observation holds true. I think the convincing proof of the general desire and intention on the part of British people to do everything possible to help on India's political development is given by the British officials in India, who have been working the 1935 Government of India Act since its inauguration in the Indian Provinces. Leading Congress Ministers in many parts of India have paid generous tribute to the self-sacrificing, impartial labours of these officials, and anyone familiar with the development of the last three years in India will know what a splendid part has been played in fitting the new system of government to the people and the country by the Provincial Governors.

Surely this attitude of British people and British officials n India is *prima facie* satisfactory evidence that it is the general desire of the British people to free India from what Mrs. Allen has described as "the yoke of alien domination." t would take up too much time to explain how the present system of government in India is very far from being a system of pure alien domination, quite apart from the almost complete autonomy of the Provinces in normal times. Just consider the course of economic and social legislation by the Central Indian Legislature in the past few years. When a Legislature, elected on a reasonably democratic franchise can foster the economic interests of its own country by discriminating, if necessary, forcibly and comprehensively against the trade of the suzerain Power, it will be agreed, I think, that some qualification is necessary before such a system can be termed one of "alien domination."

The truth is that there exist in India between different races and interests certain divisions which are not artificial, but are ancient, natural, deep-seated and firmly defended by the various peoples or interests concerned. Again I need not argue this point in detail. I will merely draw attention to certain actions and declarations of the past few months of Princes, Mahomedans and Congress members. The differences revealed by these things are not the factious products of British intrigue, but are inherent conditions of the problem which cannot be ignored. I think it is a very happy chance that Professor Brogan's excellent letter appears in the same issue of *The Spectator* as Mrs. Allen's. The problem of federating India is hardly, if any, less difficult and involved than the problem of federating Europe, and yet without the All India Federation how can there be national unity and national existence in India? I would urge Mrs. Allen and all other honest questioners of British policy in India to consider this point very carefully because their own reflections will tell them more than I can.

In short, there is no question of giving freedom from alien domination to India. The question is how are the ancient, fiercely held and amazingly difficult differences of opinion and interest between the various elements which will have to make up the Indian nation to be reconciled. They can only be reconciled by a friendly coming together of all parties, including ourselves. Now I have tried to show that there has been a change of heart in this country in the last two decades or so. We are entitled to ask for a corresponding change of heart on the part of all the Indian elements which will enable them to come to a friendly conference with the intention of giving as well as taking, and even of shedding old and tenaciously held opinions in order to reach an agreement out of which the Indian Federation, and so the Indian nation, may come to birth.—I am, Sir, &c.,

J. COATMAN.

Fernlea Hall, Whaley Bridge, Stockport.

THE SPECTATOR,

DEWAN'S MINUTE.

FILE No. 19 DE

10 MAY 1940

NCM · 2385

Financial Secy

Please see Mr. report & note referring to Mr Gold duty imposed by us.

I think I should say something in forthcoming of it in my R. A. address. I do like to say that the Govt. full realise they owe it further credits to get in additional from an industry like Gold mining & that Govt. have the interests of the industry at heart & will know how to thank it. Can depend upon their assistance if necessity should arise also

MJ

6-5-40

Please show the paper to Finl Member

Sir Frank Brown comments as follows:—

"You may like to see the full report of the observations of Sir Charles Innes at the annual meeting of the Nyasaland Govt Mining Coy with reference to the new taxation proposals of your Govt. He makes remarks thereon which are similar to those which have been put forward by millionaire industrialists in British India in respect of the taxation of war profits. Obviously Rai Man has followed in closely preceding the Finl Secy."

MM 14/5/40

THE FINANCIAL

COMPANY MEETING REPORTS

MYSORE GOLD MINING

1/4/40

INCREASED TONNAGE CRUSHED AND HIGHER WORKING PROFIT

DISTRIBUTION AFFECTED BY TAXATION

SIR C. INNES ON MYSORE GOVERNMENT'S NEW IMPOST

The sixtieth ordinary general meeting of the Mysore Gold Mining Company, Ltd., was held yesterday at Southern House, Cannon-street, E.C.

SIR CHARLES A. INNES, K.C.S.I., C.I.E. (chairman of the company), presided.

The Secretary (Mr. F. H. Williams, F.C.I.S.) read the notice convening the meeting and the report of the auditors.

The Chairman said: Ladies and gentlemen,—The accounts disclose what you will no doubt agree to be very satisfactory results. 236,617 tons of ore were crushed and treated in the year, this being 28,431 tons in excess of the 1938 figure. Indeed, it is the highest figure for 20 years. The average assay value of the ore milled was 8.55 dwts of gold per ton, and the amount of fine gold produced was 99,127 ozs, or 646 ozs less than in 1938.

You will note the reduction in the grade of ore milled. It is the result of our policy of taking advantage of the present high price of gold to mill a lower grade of ore in order to conserve as far as may be our resources of high-grade ore. You may have noticed from the January and February returns that we are developing this policy in the current year. On the other hand, the average price realised for the gold produced improved from £7 2s 2¾d per ounce to £7 14s 10¼d, and after deducting the 5 per cent. royalty on net sale proceeds payable to the Mysore Government, and making certain other adjustments, the total receipts were £735,365.

Working expenses at £387,359 were some £6,500 higher than in 1938, the increase being due mainly to the greater tonnage dealt with. We have also to provide £19,037 for additional royalty to the Mysore Government.

PROFIT, TAXATION AND DIVIDEND

Thus the working profit for the year was £328,967, and with the addition of the amount brought in and certain dividends the amount at credit of profit and loss is £341,820. This is no less than £48,129 in excess of last year's figure, and it is most disappointing that we have not been able to increase the final dividend by 3d to 2s 3d per unit of stock. But the British income-tax, as you know, has been increased from 5s 6d to 7s in the £, with effect from April last, and, as you are also aware, an Excess Profits Tax has been imposed by H.M. Government. We have had, therefore, to increase our provision for taxation from £61,000 last year to £102,000, and this increase of £41,000 has swallowed up all but £7,000 of our extra profit.

I must confess, however, that I do not see that we have any real ground for complaint against this extra taxation on our profits. The increase in these profits is entirely due to the higher price of gold which again is due to the depreciation of sterling in terms of the dollar, which again is the direct result of the war. It is not surprising, therefore, that H.M. Government have appropriated to themselves almost the whole of the increase in our profit, and considering the great increase of our national expenditure and the Government's urgent need for additional sources of taxation, I do not suppose that any stockholder grudges them the money.

NEED FOR CONSERVING RESOURCES

In spite, however, of this additional taxation, we might have raised the dividend had we been prepared materially to cut down our provision for capital expenditure, but we decided against this course. The reasons which influenced our decision were partly the general reasons pointing to the need for conservative finance to which I referred in some detail last year. In present circumstances of course they carry even greater weight. We are engaged in a gigantic struggle, and no one can say what the future has in store for us.

At such a time the prudent course clearly is to conserve our resources. But apart from these general considerations, there are other considerations of a more particular character which we had to take into account. Some of them you know already. You know, for instance, that our leases expired on the 22nd March last, and that under the new leases higher rates of additional royalty payable on the dividend or "adjusted profit," whichever is higher, will come into force. That means that the rates will be increased by 50 per cent., since at present, as we informed you in a circular dated the 8th March, 1934, we pay two-thirds of the full rates. Again, the contract which the Kolar Gold Field Companies have with the Government of Mysore for the supply of electric power to the mines from the Cauvery Power Scheme expires at the end of the current year, and one of the principal objects of Mr. Kenneth Taylor's recent visit to the field was to conduct the negotiations for a new contract. The negotiations, as you can imagine, were very complicated, and the new contract has not yet been finally settled. As far as can be judged at present, in some respects it will not be unfavourable, but the most important point—namely, the rate to be charged per unit of power—is still outstanding, and there is still, I am afraid, a gap between the price which we think we ought to pay and the price which the Government of Mysore desires to charge.

It is clearly wrong that the gold-mining industry should be charged more for power merely to increase the revenue of the Mysore Government. In my view such an increase can be justified only if it can be shown that the Cauvery Power Scheme does not yield an adequate return on the capital invested in it, and I have no reason to believe that it does not already yield a handsome return. In any case I have no doubt that this is the true criterion to apply, and I hope that the Mysore Government on further consideration will moderate its demands.

MYSORE GOVERNMENT'S NEW TAXATION

As was recently announced in the public Press, the Government of Mysore have also given notice that they have decided to follow the example originally set up by the Government of the Union of South Africa. You no doubt know that just before the war broke out the price of gold began to rise, and the Union Government announced that they would appropriate to themselves the whole of the receipts of the South African gold-mining companies from the sale of gold in excess of 150s an ounce. The original intention of the Mysore Government, as communicated personally to Mr. Taylor, was to do the same, but in view of the objections pointed out by him with great force they finally decided to content themselves with expropriating, with effect from 22nd March last, three-quarters of our receipts from the sale of gold in excess of Rs.100 per ounce.

Now I have just told you that the additional income-tax and the Excess Profits Tax imposed by the British Government after the outbreak of war swallowed up nearly the whole of the additional profit we made in 1939, and I said further that I did not think that the stockholders had any real cause for complaint, since our additional profit was entirely due to the higher price of gold, which again was the direct result of the war.

WRONG IN PRINCIPLE

At first sight it might appear that the same considerations apply in respect of the Mysore Government's proposal, but this is not so. There is an important difference in that this new tax is not a tax on profit. It is an expropriation of part of our gross receipts from the sale of gold. A tax of this nature is open to obvious objection, and it is particularly unfair to this company. I have just told you that our present policy is to take advantage of the high price of gold to mill a lower grade of ore in order to conserve our stocks of high-grade ore and thus prolong the life of the mine. Clearly, however, it is not so profitable to mill low-grade ore as high-grade ore. In order to obtain a given quantity of gold you have to extract, transport to the surface and mill a greater tonnage of ore. That means more labour cost and higher expenses. But the new tax takes no account of the profit factor or of increased costs. The tax, indeed, is entirely wrong in principle, and the Government of the Union of South Africa have now recognised the objections to it and have substituted a tax on profits for their original proposal.

INJURIOUS IN OPERATION

The tax, however, is not only objectionable in principle. It may also be injurious in operation, and we shall have to consider very carefully the effect of it on our policy of expanding still further the mining of low-grade ore. Clearly such an unusual method of taxation requires special justification. The Government of the Union of South Africa justified their original proposal as a measure to prevent speculation in the shares in gold-mining companies, and the Commonwealth Government of Australia introduced similar taxation owing to the exigencies of war finance. The Mysore Government has also announced that its new tax is an emergency measure, but we have not been told what the precise nature of the emergency is.

As far as I am aware, the Government has not been put to any appreciable increase of military expenditure by the war, and if the tax has been imposed merely as a convenient way of raising additional revenue to meet the rising cost of administration, I do not think that that is sufficient justification for a tax which offends against the ordinary principles of taxation.

It has to be remembered that already the Mysore Government derives considerable revenue from the company. Last year we paid them more than £98,000 in royalty, additional royalty and income-tax. Moreover, all these heads are what are known as growing heads of revenue. The higher the price of gold and the more profit we make, the more we pay them under each head.

EFFECT ON COMPANY

Naturally, however, what you are most anxious to know is how the new tax is likely to affect your interests as stockholders in this company, and I now will address myself to this question. I can deal with it only in general terms. We have made the most careful calculations as to the effect of the tax, and no pains were spared to make them as accurate as possible, but I am reluctant to commit myself to definite figures lest they be misunderstood. The first point brought out is that the tax is a very heavy one.

If, for instance, we take an imaginary year and assume that in that year we produced, as in 1939, 99,127 ozs of gold, and that the average price realised for that gold was £8 6s per ounce, then the gross receipts from the sale of that gold would be £822,755. The 5 per cent. royalty due on this sum is £41,138. But the effect of the new tax is that the Mysore Government would first take £59,475, being three-quarters of the excess price over Rs.100 per ounce, and then 5 per cent. on the balance of the sale proceeds amounting to £38,164.

In other words, it would levy a tax on the sale proceeds of £97,639, or £56,501 more than we are required by our mining

bases to pay by way of royalty on these proceeds. In effect, that is, the new tax raises the rate of royalty, on these figures, from 5 per cent. to nearly 12 per cent.

MITIGATING FACTORS

That is a big increase, but as they proceed the calculations become more reassuring. They show, for instance, that the burden of the new tax will be offset to a great extent by reductions in the additional royalty payable to the Mysore Government and in the provision to be made for income-tax and Excess Profits Tax. Indeed, it appears that the new tax will operate much more to the disadvantage of the British Government than that of the company. I doubt whether the Mysore Government realised this fact when it imposed the tax. This, however, is by way of parenthesis.

From your point of view the most important fact brought out by the calculations is that though the net profits of the company will inevitably be affected by the new tax, they will not be affected nearly so seriously as at one time we feared. The impact of the blow on this particular company has been softened by the fact that last year we became liable to Excess Profits Duty.

I am afraid that I have made some outspoken criticism of the new tax, and I much regret that I have been compelled to do so, especially in view of the generally cordial relations existing between H.H. Government and the gold mining companies at Kolar, but it is only right that I should give the stockholders of the company a frank exposition of the case as it is viewed by the directors.

We have had a report from Mr. Pryor who visited the field last summer, as well as from Mr. Taylor, and I am glad to say that both reports were eminently satisfactory. Encouraging results have been obtained in the deep levels, but probably the most important feature of the year's work has been the development in the upper levels and the reclamation of low grade blocks and of ore isolated by previous rockbursts.

Work in these areas demands great care and a high degree of skill, and it is a tribute to our superintendent, Mr. C. B. Taylor, and his staff that they have been so successful. It is also expensive, as I have already told you, but the importance of it lies in the fact that if we are able to carry it on with continued success it should have the effect of prolonging the life of the mine.

MR. KENNETH B. TAYLOR'S STATEMENT

Mr. Kenneth B. Taylor, M.C., said that at the last meeting he had laid some emphasis on the value of the development work that was being done in the upper horizons of the mine. From what he had seen of it during a recent visit to the property he thought its potentialities were even greater than he had previously contemplated. While he was in India he had taken the opportunity of examining very fully the question of the layout for continuous operations in depth, because they were approaching the 96th level, which was the maximum depth for which the existing winding engines were designed. To carry on the mine in depth below the 96th level three new shafts would be needed, equipped with winding engines, designed to hoist from a vertical depth of 3,000 ft. The question of working conditions in the future had also been discussed, because in the hot months of the year conditions were already very trying at the depth they had at present reached. There could be no doubt that soon the installation of a plant to cool and reduce the moisture content of the down-cast ventilating air would be a necessity if working conditions were to be tolerable and efficiency maintained. The advantages thus to be gained had been so abundantly proved by the plant put in by the Ooregum Company that it had been decided to proceed with a similar plant at Mysore.

In considering the programme of development work, the potentialities of the upper levels were so promising that it would undoubtedly be wise to embark on an extended programme of work there, which was being done. At the same time, development work in depth would be somewhat reduced. From estimates, unless in these difficult days they were upset by rising costs, it should be possible to provide the cost of the whole scheme with but a minor call on the company's capital resources.

ORE RESERVES

The estimate of the ore reserves at the close of the year was 459,000 tons, an increase of 6,000 tons, and the grade was 10.8 dwts per ton, a decline of rather more than ½ dwt. With the increasing price for gold that had been enjoyed in recent times, shareholders would appreciate that more and more areas of low grade ore developed in the early days had become payable, but more important still had been the encouragement that it had given to explore in previously undeveloped areas. He could not, therefore, deplore too strongly any method of taxation such as the Government of H.H. the Maharajah of Mysore had now imposed, which must put a brake on that aspect of development.

The recovery of gold last year had been very much on a par with the previous year, as the decrease in grade of just over 1 dwt had been almost made up by treating an extra 28,500 tons of ore in the mill. In spite of that extra tonnage, the aggregate working expenditure increased by only a small amount, so that there was a satisfactory decline of 3s per ton of ore milled in the working costs, and of more than 1s 1d in the cost of development.

Mr. Taylor concluded by paying a tribute to the good work of the superintendent and the whole of the staff on the field.

The report and accounts were unanimously adopted, the retiring directors, Sir George S. Barnes, K.C.B., K.C.S.I., and Mr. Edgar Taylor, were re-elected, and the auditors, Messrs. Turquand Youngs McAuliffe and Co., were reappointed.

Financial Times

Date 22 APR 1940

MINING MARKET NOTES

DULL WEEK IN KAFFIRS

GOLD PRICE BASIS

By the MINING EDITOR.

Kaffirs as well as most other Mining sections were dull last week in sympathy with the general trend. It was noticeable, however, that the Rand dividend-payers had to face little selling on local account. If anything it was a small amount of nervous offering of the more speculative issues from Johannesburg that prompted the mild marking down of prices.

INDIAN GOLD SHARES

The Mysore annual meeting was particularly interesting in that it afforded the first official comment on the effects of the Mysore Government's recent appropriation of three-quarters of the gold proceeds of the Kolar mines above 150s an ounce. Sir Charles Innes vigorously attacked the inequitable nature of this levy on revenue as distinct from profits. All this has been thrashed out in connection with a similar impost on the Rand gold mines—an impost which was rescinded, the South African Government realising that it was an undue burden on the older mines working at considerable depths. This description, needless to say, applies to the Indian concerns.

From a purely monetary viewpoint, Sir Charles indicated that the burdens of the new tax will be offset to a great extent by reductions in the liability for additional lease royalties and for income-tax and E.P.T. The impression gathered is that cuts must be expected in Indian gold-mining dividends, especially as increased expense on air-cooling is being incurred, but, at the reduced share prices, yields (with the help of a modicum of Dominion tax relief) should remain satisfactory enough for mixing purposes.

Serial No.

Letter from on the Mysore Tax on Salt

Various precedents on the subject are submitted for favour of perusal.

Chief Secy)

21/5/40

21/5

1st member
Hon'ble Finl Secy

Copies of Sir Charles Innes's Speech at Lahore received from the Dewan with a minute. The same arguments appear here also & these also will be filed in the Financial Secrett.

27.5.40

23/5/40

24.5.40

Finl. Branch)

(To be filed)

M. Mle

CHIEF ... R.Y.
21. MAY 1940
GOVT. OF MYSORE.

U.O.No. Fi.....
21. MAY 194

FINANCIAL BRANCH
GEN. & REV. SECRETARIAT
485-8

OFFICE OF THE
FIRST MEMBER OF COUNCIL
MAY 22 1940
No. 1091/J

NOTE—Contn. Sheet.

MYSORE GOLD MINING CO.

PROPOSED TAX ON GOLD.

The 60th Ordinary General Meeting of the Members of the Mysore Gold Mining Co., Ltd., was held at Southern House, Cannon Street, E.C., on Wednesday, **Sir Charles A. Innes**, K.C.S.I., C.I.E., Chairman of the Company, presiding.

The Secretary (Mr. F. H. Williams, F.C.I.S.), having read the notice convening the meeting and the report of the auditors,

The Chairman said in the course of his address :

The accounts disclose what you will no doubt agree to be very satisfactory results. 236,617 tons of ore were crushed and treated in the year, being 28,431 tons in excess of the 1938 figure. Indeed, it is the highest figure for 20 years. The average assay value of the ore milled was 8.55 dwts. per ton, and the fine gold produced was 99,127 ozs., or 646 ozs. less than in 1938.

The reduction in the grade of ore milled is the result of our policy of taking advantage of the present high price of gold to mill a lower grade of ore in order to conserve our resources of high-grade ore. You may have noticed from the January and February returns that we are developing this policy in the current year. On the other hand the average price realised improved from £7 2s. 2¾d. per oz. to £7 14s. 10¼d., and after deducting the 5% royalty on net sale proceeds payable to the Mysore Government, and making certain other adjustments, the receipts were £735,365. Working expenses at £387,359 were some £6,500 higher than in 1938, due mainly to the greater tonnage dealt with. We have also to provide £19,037 for additional royalty to the Mysore Government.

Thus the working profit for the year was £328,967, and, with the addition of the amount brought in and certain dividends, the amount at credit of profit and loss is £341,820. This is no less than £48,129 in excess of last year's figure, and it is most disappointing that we have not been able to increase the final dividend by 3d. to 2s. 3d. per unit of stock. But British Income Tax has been increased from 5s. 6d. to 7s. in the £ with effect from April last, and an Excess Profits Tax has been imposed. We have had therefore to increase our provision for taxation from £61,000 to £102,000, and this increase has swallowed up all but £7,000 of our extra profit.

I must confess, however, that I do not see that we have any real ground for complaint against this extra taxation. The increase in profits is entirely due to the higher price of gold, which is due to the depreciation of sterling in terms of the dollar, which again is the direct result of the war. Considering the great increase of our national expenditure and the Government's urgent need, I do not suppose that any stockholder will grudge them the money.

We might have raised the dividend had we been prepared materially to cut down our provision for capital expenditure, but we decided against this course. The reasons which influenced our decision were partly the general reasons pointing to the need for conservative finance to which I referred in some detail last year. In present circumstances of course they carry even greater weight. We are engaged in a gigantic struggle and no one can say what the future has in store for us. At such a time the prudent course clearly is to conserve our resources. But apart from general considerations, there are other considerations of a more particular character. Some of them you know already. Our leases expired on March 22 last, and under the new leases higher rates of additional royalty payable on the dividend or "adjusted profit," whichever is higher, will come into force. That means that the rate will be increased by 50% since at present we pay two-thirds of the full rate.

Again, the contract with the Government of Mysore for the supply of electric power to the Mines from the Cauvery Power Scheme expires at the end of the current year, and one of the principal objects of Mr. Kenneth Taylor's recent visit to the Field was to conduct the negotiations for a new contract. The negotiations were very complicated, and the new contract has not yet been finally settled. As far as can be judged at present, in some respects it will not be unfavourable, but the most important point—the rate to be charged per unit of power—is still outstanding, and there is still a gap between the price which we think we ought to pay and the price which the Government of Mysore desires to charge.

The Companies are entirely in the Government's hands in this matter. Their remedy, if they are dissatisfied with the terms offered by the Government, is to erect their own power station and generate their own power. But at this stage in the lives of the mines this is not a practicable proposition, and the Government are in a position to dictate their own terms. They are in fact the monopolists of power which the Companies must have. The Cauvery Power Scheme is a Public Utility concern. It is an established principle, in this country at any rate, that a Public Utility Company must be content with a reasonable return on the capital invested in the concern, and should not be allowed to exploit the consumers dependent on it, who otherwise would be entirely at its mercy. If the Cauvery Power Scheme were owned by a Public Company or Corporation, the Government of Mysore would certainly enforce this principle, and since they themselves are the owners of the concern, there is all the more reason why they should set the example of observing it.

The Kolar Gold Field Companies consume more than half of the power supplied from the Cauvery, their load factor is a very favourable one, and the Gold Mining industry is the most important industry in Mysore State It is clearly wrong that they should be charged more for power merely to increase the revenue of the Mysore Government. In my view such an increase can be justified only if it can be shown that the Cauvery Power Scheme does not yield an adequate return on the capital invested in it, and I have no reason to believe that it does not already yield a handsome return. In any case I have no doubt that this is the true criterion to apply, and I hope that the Mysore Government on further consideration will moderate its demands.

This, however, is not the end of the story, for the Government of Mysore have also given notice that they have decided to follow the example originally set up by the Government of the Union of South Africa. Just before the war broke out, the price of gold began to rise, and the Union Government announced that they would appropriate the whole of the receipts of the South African Gold Mining Companies from the sale of gold in excess of 150s. an oz. The original intention of the Mysore Government was to do the same, but they finally decided to content themselves with expropriating, with effect from March 22 last, three-quarters of our receipts from the sale of gold in excess of Rs.100 per oz.

I just told you that the additional Income Tax and the Excess Profits Tax imposed by the British Government after the outbreak of war swallowed up nearly the whole additional profit we made in 1939, and I said I did not think that the Stockholders had any real cause for complaint. At first sight it might appear that the same considerations apply in respect of the Mysore Government's proposal, but this is not so. This new tax is not a tax on profit. It is an expropriation of part of our gross receipts from the sale of gold. A tax of this nature is open to obvious objection, and it is particularly unfair to this Company. Our present policy is to take advantage of the high price of gold to mill a lower grade of ore in order to conserve our stocks of high-grade ore, and thus prolong the life of the mine. Clearly, however, it is not so profitable to mill low grade as high-grade ore. To obtain a given quantity of gold you have to extract, transport and mill a greater tonnage. That means more labour cost and higher expenses. But the new tax takes no account of the profit factor. It takes the same fraction of the gold price whether the gold is produced from low grade or high-grade ore.

The Government of Mysore no doubt argue that, even after the new tax has been deducted, we should be left with as high a price for gold as we got on the average in 1939, and that therefore we have not much reason to complain; but gold is not the only commodity the price of which has gone up owing to the war. The prices of all materials, machinery, spares and other stores are also beginning to rise, and if the war is prolonged there is no doubt that the cost of producing our gold must increase. This is another factor for which the new tax makes no allowance. The tax indeed is entirely wrong in principle, and the Government of South Africa have now recognised the objections, and have substituted a tax on profits for their original proposal. It may also be injurious in operation, and we shall have to consider very carefully the effect of it on our policy of expanding still further the mining of low-grade ore. Clearly such an unusual method of taxation requires special justification. The Government of South Africa justified their original proposal as a measure to prevent speculation in shares and the Commonwealth Government of Australia, introduced similar taxation owing to the exigencies of war finance. The Mysore Government has also announced that its new tax is an emergency measure, but we have not been told the precise nature of the emergency. As far as I am aware, the Government has not been put to any appreciable increase of military expenditure by the war, and if the tax has been imposed merely as a convenient way of raising additional revenue to meet the rising cost of administration, I do not think that that is sufficient justification for a tax which offends against the ordinary principles of taxation It has to be remembered that already the Mysore Government derives considerable revenue from the Company. Last year we paid them more than £98,000 in royalty, additional royalty and Income Tax. Moreover all these heads are what are known as growing heads of revenue. The higher the price of gold and the more profit we make, the more we pay them under each head.

EXTRACT FROM.

Financial Times
26 APR 1940

COMPANY MEETING REPORTS

CHAMPION REEF GOLD MINES OF INDIA

"THOROUGHLY SATISFACTORY" OPERATIONS ON THE MINE

TOLL OF TAXES: ARBITRARY ACTION BY MYSORE GOVERNMENT

HON. A. T. J. FRASER'S SPEECH

The ordinary general meeting of the Champion Reef Gold Mines of India, Ltd., was held yesterday at Southern House, Cannon-street, E.C.

THE HON. A. T. J. FRASER, D.S.O., the chairman of the company, presided.

The Secretary (Mr. F. H. Williams, F.C.I.S.) having read the notice convening the meeting and the report of the auditors,

The Chairman said: Ladies and gentlemen,—The year's operations on your mine have been thoroughly satisfactory. Both the exploitation and the development of your property have come up to the high level which for the last few years we have come to expect. The only flies in the ointment are the incidence of higher taxation, at which we cannot grumble, and the arbitrary action of the Mysore Government in increasing the already large toll that they take from the Kolar gold industry. I will refer more specifically to this matter in a few minutes.

During the year ended 31st December, 1939, the mine produced 69,058 ozs of fine gold from 161,220 tons crushed. The realised value of the gold amounted to £534,795, and after deducting £26,632 for royalty and adding £6,073 for other receipts the total income is £514,236.

Working costs at £297,500 and additional royalty bring total expenditure to £314,480, leaving a profit for the year of £199,755, which is £9,200 more than last year.

After adding last year's balance we have a credit at profit and loss of £215,798. From this figure we have to take £58,000 odd for the interim dividend already paid, £42,000 income-tax reserve, £7,000 for N.D.C. and £20,000 for writings off and reserves. The residual figure available was £88,785, and after paying a final dividend of 22½ per cent. the carry-forward amounts to £14,198, almost identical with last year's figures.

The total dividend for the year is 40 per cent., or 4s per unit, the same as for 1938.

ORE RESERVES

Ore reserves stood at 31st December, 1939, at 543,323 tons averaging 10.88 dwts. This shows an increase of 12,000 tons, but a decrease of a quarter of a dwt in average grade over last year.

This may be considered as eminently satisfactory in view of the fact that a smaller amount of development has been done on the high grade Glen's ore shoot than usual.

You may remember that this time last year I informed you that in view of the great success of the air conditioning will remember that some six years ago negotiations with the Mysore Government were entered into, and after much discussion the terms of the new lease of the mines were agreed upon.

The old lease expired on 22nd March, 1940; during the period between the date of the fixing of the agreement and the expiry of the old lease a certain rise in the share received by the Mysore Government was agreed to by us. The full rise only took place as from 22nd March, 1940. That we cannot take exception to; it was a freely negotiated deal.

As regards power supply, our present contract terminates this year. In the coming six months a new agreement has to be fixed between us as to the price of power used by us and supplied by the Cauvery Falls power station owned and operated by the Mysore State. Mr. Kenneth Taylor, who has just returned from India, was busy with these negotiations during his visit, and he reports that the price per unit which the Government have asked for is a considerable increase on what it costs us to-day.

In this country we look to a public supplier, and especially a Government concern, as a public utility company which should be content with a reasonable return on its capital. One can imagine the uproar in this country at the sudden increase in rate to long established customers who had no possibility of looking elsewhere for an alternative supply, and this when the only apparent reason is to obtain more profit on an investment that already yields a reasonable return.

UNJUSTIFIABLE ACTION

But the expropriation of 75 per cent. of the amount by which the price of gold exceeds 150s per ounce is the action which we consider the most unjustifiable. It is true that other countries have taken similar measures, but in these cases it was quite definitely as a war tax, and in the case of the South African Government they have realised the unfairness of it and have substituted a profits tax. I have already said that as regards British taxation, burdensome though it may be, we have no valid objection. The Mysore Government would in any case take a very considerable proportion of the extra value and profit represented by the 13s 6d per ounce which they are now swallowing wholesale. Then again, no allowance is being made for the serious rise, caused by the war, which has already taken place in stores and material.

Moreover, the policy which we had progressively hoped to pursue of milling [illegible] ore as the price of gold rose, employees, including the field staff of the electrical and medical departments, for the excellent services which they have rendered during the year.

The Chairman concluded by moving the adoption of the report and accounts, which was seconded by Sir George S. Barnes, K.C.B., K.C.S.I.

MR. S. E. TAYLOR'S STATEMENT

Mr. Sydney E. Taylor, in dealing with the position on the mine, said that last year he had expressed the hope that the scheme for carrying the mine to greater depths would be in operation within the original estimate of four years from the time of commencement early in 1936. Unfortunately, the completion of the scheme had been held up owing to the delay in the delivery of certain parts of the new winding engine for Gifford shaft. Those parts had now reached the mine, and the erection of the winding engine was being proceeded with. The equipment of Gifford shaft to the 70th level had been completed and the new electric hoist for south main winze had been erected at the 80th level and was now in commission. The hoist for Heathcote shaft would be erected at the 70th level during the current year.

Consequent upon the delay in the completion of the scheme, the full benefit to the ventilation of the mine had not yet been obtained, and during the last hot season the conditions in the lower levels of the mine were very trying. The neighbouring Ooregum mine had obtained such beneficial results from the installation of an air-conditioning plant to cool the downcast air to the mine that it was decided to proceed immediately with a similar plant for that mine. The plant was being installed on surface at Gifford's shaft and would be capable of cooling the downcast air to 40°F. It consisted of standard ammonia refrigerating machines supplying cold brine, which was circulated through coils of pipes. The downcast air was drawn over those cold pipes and was thereby cooled and dried before it passed down the shaft into the mine. All the plant had now been shipped, most of it had reached the mine and was in course of erection, and it was hoped to bring it into operation within the next few months. All that important machinery had been shipped since the outbreak of hostilities and all the various shipments had arrived safely and promptly.

To sum up the position, the development of the folded ore-body in the northern section and Glen ore shoot in the southern section continued to yield satisfactory results. On the folds a large tonnage of ore of over 6.0-dwts grade had been added to the ore reserves during the year, and there was undoubtedly a further large tonnage of ore of somewhat lower grade that could not be estimated sufficiently closely to be brought into reserves, but which would be mined and go to the mill. The productive length of Glen ore shoot was somewhat less than it had been two or three years ago, but it continued to be a most important ore-body.

In the upper levels of the mine the work of reopening Ribblesdale's and Glen's primary shafts had been actively continued to improve the upcast ventilation circuit and that work had also disclosed additional ore.

Support of ground continued to be a feature of the utmost importance. During the year over 43,000 tons of granite had been lowered into the mine for the purpose of supporting the workings, while the practice of supporting the levels with steel sets had been actively continued. The efficacy of those methods of support had again been exhibited and though several heavy rockbursts had occurred the stopes and levels supported in that manner had sustained only a small amount of damage.

WORKING COSTS

The working costs in 1939 had been 2s 7½d per ton higher than in 1938; that was due in part to more work being done in supporting the ground in the stopes on the folds in the northern section consequent upon the expansion of work in [illegible] section, and in part due to the

plant installed at Ooregum, it was our intention to put in a similar plant on your mine. I think I told you then that Champion Reef had always been a rather better ventilated mine than Ooregum, and that so far conditions in your mine had not been too bad. Well, last hot season was a particularly severe one on the field, and there is no doubt that work at the bottom of the mine, especially at the south end, could only be carried out under conditions which to say the least of it were difficult. It was for this reason that development of Glen's ore shoot was very considerably curtailed, many working faces being closed down for the hottest period of the year.

Your managers had hoped that the air cooling plant might have been in operation by early May this year, before the worst of the hot season came on. However, the delays necessitated by war conditions since early September made this impossible, and the present estimated date of early July may be considered satisfactory. Last year the most trying conditions occurred during July, August and September, so we can hope that this year that trying period may be obviated. If the same success is achieved on Champion Reef as was the case in Ooregum, we shall find a really great improvement in working conditions, which will be at once reflected in general comfort and contentment for the labour force, increased pace and facility in development and an all-round decrease in costs, and rise in general efficiency.

I will leave to Mr. Sydney Taylor the task of giving you the details of the year's development, and will merely state that the year's work in the bottom of the mine is most encouraging; Glen's ore shoot, at present our main asset, appears to maintain the value it has given for the last two levels. The northern folds show a definite improvement during the year's development, and the prospects of a new shoot further south than Glen's, as opened up at the 82nd, are certainly interesting, not to say promising.

To return to the subject of taxes and other imposts. This year we had to put aside from our profits £49,000 towards income-tax and N.D.C. reserves. Last year the figure was some £10,000 less. With no increase in taxation and a similar mine profit the figure for the current year may be in the neighbourhood of £55,000. Large though these sums undoubtedly are (and of course they are all in addition to the 3s 11d or so automatically deducted from every £1 from our stockholders dividends) still I consider that we have no cause to grumble when we think of the vast sums required by the Treasury and the country to carry on the war.

EXACTIONS OF GOVERNMENT

It is when we come to the exactions made by the Mysore Government that your Board consider that you, our stockholders, have a distinct grievance. You has been hindered, thereby eventually shortening the life of the mine to the detriment of stockholders, and the still greater ultimate loss direct and indirect of the Mysore Government. Finally, this action of the Mysore State will have the effect, less in the case of Champion Reef than some of the other mines, of reducing the amount paid in taxation to the British Government, a state of affairs which we cannot visualise with anything but great dislike.

In his speech last week to the Mysore Mine stockholders, Sir Charles Innes spoke at considerable length and much more ably than I have been able to do I advise all stockholders who have not already heard or read his speech to obtain a copy of it. I can certainly say that your Board heartily endorse every word which he then said.

I cannot sit down without asking you to join with the directors and managers in thanking our superintendent, Mr. Henry White, and our staff and all our ing conditions experienced in the hot weather which impaired efficiency and increased the cost of ventilation.

The report and accounts were unanimously adopted, the retiring director, Mr. Edgar Taylor, was re-elected, and Messrs. Cooper Brothers and Co. were reappointed auditors.

The proposed alteration in the articles of association with regard to the appointment of alternate directors was unanimously approved, and a vote of thanks to the Chairman and directors closed the meeting.

Financial Times

1 MAY 1940

NUNDYDROOG MINES LIMITED

DIVIDEND OF 42½%

MR. KENNETH TAYLOR ON TAX POSITION

The nineteenth ordinary general meeting of Nundydroog Mines, Ltd., was held yesterday at Southern House, E.C.

MR. KENNETH B. TAYLOR, M.C. (chairman), who presided, said the average price realised for gold was £7 14s 9d per ounce, compared with £7 2s 2¾d in 1938, so that although they had recovered less gold from the mine, the revenue from gold sales was slightly increased. The net result was that the balance of profit transferred to profit and loss account was £255,167, an increase of nearly £30,000. Income-tax, however, had risen considerably, and it had been necessary to reserve £64,000 on that account in place of £43,000 in the previous year, and National Defence Contribution at £9,230 had also risen. The amount allocated to general reserve had been increased from £10,000 in the previous year to £30,000 this year, and the reserve fund now stood at £147,500. The reason for this more liberal provision was partly on account of expenditure that they had before them in the next few years in providing facilities for working the mine in greater depth, and also because a strong financial position was essential in the difficult and uncertain times at present obtaining. After providing for those items they were able to declare a dividend of 42½ per cent., only 5 per cent. less than that of the previous year.

DEVELOPMENT AT DEPTH

Turning to the mine, a vigorous programme of development work was carried out, and the position in depth remained very much as it had been twelve months ago. They were developing at present one ore shoot of moderate value and a fair length, and another ore shoot short in length but rich in value. He thought that was encouraging for the future prospects in depth, and when one remembered that all the other mines on the Kolar Gold Field were at present working on valuable ore shoots at horizons as much as 1,000 ft lower than the company's present bottom levels, one could have little doubt of the future possibilities of the Nundydroog mine in depth. Last year perhaps the most interesting development work had been done in levels higher up in the mine, in search of quartz that it was not considered worth while to explore in the days when gold was at its par value, and to test new ideas for the possible extension of ore shoots and folds in the upper levels. This work was now going on in all sections of the mine and was meeting with a fair measure of success.

ORE RESERVES

The amount of new ore developed last year did not quite keep pace with the amount mined and milled from the reserves, so that there was a reduction of some 30,000 tons in the estimate of ore reserves, which now stood at 516,593 tons, the grade of those reserves being 11.19 dwts, which was a trifle higher than last year. The tonnage of probable ore of low grade, however, was increased by some 50,000 tons and was estimated now at nearly 234,000 tons. In the mill 242,600 tons of an average grade of 7.31 dwts had been treated, and in addition 131,000 tons of old tailings were retreated.

Twelve months ago he told the shareholders that they had under consideration the programme for the continuation of development and mining in depth as the winding engines underground were nearing the full depth from which they were designed to wind. While he was on [illegible] goldfield this winter he was

able to discuss that matter fully with the superintendent, Mr. Morrison. In considering the position in the centre of the mine the question of ventilation was of paramount importance, and it had been decided to instal an air-conditioning plant to cool and dry the downcast air, which was similar to the plant installed by the Ooregum Company two years ago and which had proved so advantageous. The programme, which it would take several years to bring to fruition, was estimated to cost £135,000, and to meet that expenditure it was fortunate that their financial position was quite healthy, and he anticipated that it would only be necessary to call on the profits for quite moderate amounts in the next few years towards that capital expenditure.

GOLD TAXATION IN MYSORE

In Mysore income-tax had been increased by 6 pies in the rupee and that they could bear with equanimity as it was an extra burden which fell upon all who were subject to pay income-tax in the State of Mysore, but the gold industry in Mysore had been singled out for special taxation as well, and from 22nd March last the Mysore Government had annexed three-quarters of the amount by which the sale value of gold exceeded Rs.100 (approximately 150s per ounce). At first the Government had intended to annex the whole amount, but after vigorous and emphatic protests had been lodged they had modified their original intention to three-quarters of the amount and agreed that in calculating the 5 per cent. fixed royalty and the additional royalty paid under the terms of the leases the sale value of gold should be taken after deduction of the new duty. Nevertheless, this type of tax, which paid no regard to the profit-earning capacity of the industry which in these difficult days was bound to be affected by rising costs, was bad in principle and could but tend to be injurious to the industry in practice.

There was another aspect of the matter. Early in 1934 they had agreed with the Mysore Government the terms for the renewal of leases which were due to expire on 22nd March, 1940. At that time the price of gold was rising and an agreement was reached whereby an additional royalty should be paid at once to the Mysore Government, and in the six years that had since elapsed the Nundydroog Company had paid by way of this premium no less than £257,206. They now found that from the first moment that the new leases came into operation they were to be deprived of a substantial part of their benefit although the Government participation in additional royalty had increased by 50 per cent. The Act implementing this gold duty was described as an emergency Act, so he presumed it would be withdrawn when the emergency passed, but in the meantime he hoped it might be reconsidered and placed on a more equitable basis and one less injurious to the future of the industry.

It was his custom to say something of the prospects for the present year, but it would be appreciated that this year that was unusually difficult, with so many factors and the incidence of the new taxation not yet clarified. He was afraid that it was inevitable that the profit would be less. Taking all factors into account, as far as they were at present able to judge, the fall in revenue from gold sales, assuming gold maintained its present price throughout the year, would be in the region of £50,000. However, in spite of higher rates of income-tax it should not be necessary to make so large a provision for income-tax reserve and N.D.C. would require less.

The report was unanimously adopted.

THE PRESS CLIPPING BUREAU

EXTRACT FROM 26 APR 194

THE TIMES

CHAMPION REEF GOLD MINES

SATISFACTORY YEAR'S OPERATIONS

HON. A. T. J. FRASER'S ADDRESS

The ORDINARY GENERAL MEETING of The Champion Reef Gold Mines of India, Limited, was held yesterday at Southern House, Cannon Street, London, E.C.

The HON. A. T. J. FRASER, D.S.O., the chairman, presided, and in the course of his speech said:—The year's operations on your mine have been thoroughly satisfactory. Both the exploitation and the development of your property have come up to the high level which for the last few years we have come to expect. The only flies in the ointment are the incidence of higher taxation, at which we cannot grumble, and the arbitrary action of the Mysore Government in increasing the already large toll that they take from the Kolar gold industry.

THE YEAR'S REVENUE

During the year ended December 31, 1939 the mine produced 69,058oz. of fine gold from 161,220 tons crushed. The realized value of the gold amounted to £534,795, and after deducting £26,632 for royalty and adding £6,073 for other receipts the total income is £514,236.

Working costs at £297,500 and additional royalty bring total expenditure to £314,480, leaving a profit for the year of £199,755, which is £9,200 more than last year.

After adding last year's balance we have a credit at profit and loss of £215,798. From this figure we have to take £58,000 odd for the interim dividend already paid, £42,000 income-tax reserve, £7,000 for N.D.C., and £20,000 for writings off and reserves. The residual figure available was £88,785, and after paying a final dividend of 22½ per cent. the carry-forward amounts to £14,198, almost identical with last year's figures.

The total dividend for the year is 40 per cent., or 4s. per unit, the same as for 1938.

ORE RESERVES.—Ore reserves stood at December 31, 1939, at 543,323 tons, averaging 10.88dwt. This shows an increase of 12,000 tons, but a decrease of a quarter of a dwt. in average grade over last year. This may be considered as eminently satisfactory in view of the fact that a smaller amount of development has been done on the high-grade Glen's ore shoot than usual.

PROVISION FOR TAXATION

This year we had to put aside from our profits £49,000 towards income-tax and N.D.C. reserves. Last year the figure was some £10,000 less. With no increase in taxation and a similar mine profit the figure for the current year may be in the neighbourhood of £55,000. Large though these sums undoubtedly are (and, of course, they are all in addition to the 3s. 11d. or so automatically deducted from every £1 from our stockholders' dividends), still I consider that we have no cause to grumble when we think of the vast sums required by the Treasury and the country to carry on the war.

It is when we come to the exactions made by the Mysore Government that your board consider that you, our stockholders, have a distinct grievance. You will remember that some six years ago negotiations with the Mysore Government were entered into, and after much discussion the terms of the new lease of the mines were agreed upon.

The old lease expired on March 22, 1940; during the period between the date of the fixing of the agreement and the expiry of the old lease a certain rise in the share received by [illegible] to by us.

The full rise only took place as from March 22, 1940. That we cannot take exception to; it was a freely negotiated deal.

Mysore Government's New Terms

As regards power supply, our present contract terminates this year. In the coming six months a new agreement has to be fixed between us as to the price of power used by us and supplied by the Cauvery Falls Power Station owned and operated by the Mysore State. Mr. Kenneth Taylor, who has just returned from India, was busy with these negotiations during his visit, and he reports that the price per unit which the Government have asked for is a considerable increase on what it costs us to-day.

In this country we look to a public supplier, and especially a Government concern, as a public utility company which should be content with a reasonable return on its capital. One can imagine the uproar in this country at the sudden increase in rate to long-established customers who had no possibility of looking elsewhere for an alternative supply, and this when the only apparent reason is to obtain more profit on an investment that already yields a reasonable return.

But the expropriation of 75 per cent. of the amount by which the price of gold exceeds 150s. per ounce is the action which we consider the most unjustifiable. It is true that other countries have taken similar measures, but in these cases it was quite definitely as a war tax, and in the case of the South African Government they have realized the unfairness of it and have substituted a profits tax. The Mysore Government would in any case take a very considerable proportion of the extra value and profit represented by the 13s. 6d. per ounce which they are now swallowing wholesale. Then again no allowance is being made for the serious rise, caused by the war, which has already taken place in stores and material.

Moreover, the policy which we had progressively hoped to pursue of milling lower-grade ore as the price of gold rose has been hindered, thereby eventually shortening the life of the mine to the detriment of stockholders, and the still greater ultimate loss, direct and indirect, of the Mysore Government. Finally, this action of the Mysore State will have the effect, less in the case of Champion Reef than some of the other mines, of reducing the amount paid in taxation to the British Government, a state of affairs which we cannot visualize with anything but great dislike.

Mr. Sydney E. Taylor's Remarks

Mr. Sydney E. Taylor, D.S.C., said that last year he expressed the hope that the scheme for carrying the mine to greater depths would be in operation within the original estimate of four years from the time of commencement early in 1936. Unfortunately, the completion of the scheme had been held up owing to the delay in the delivery of certain parts of the new winding engine for Gifford shaft. Those parts had now reached the mine and the erection of the winding engine was proceeding. Consequent upon this delay, the full benefit to the ventilation of the mine had not yet been obtained. The neighbouring Ooregum Mine had obtained such beneficial results from the installation of an air-conditioning plant that it was decided to erect a similar plant for Champion Reef. Most of the plant had now reached the mine and it was hoped to bring it into operation within the next few months.

Development results continued to be very satisfactory. The development of the folded ore body in the Northern section and Glen ore shoot in the Southern section continued to yield satisfactory results. On the folds a large tonnage of ore of over 6dwt. grade had been added to the ore reserves during the year and there was a further large tonnage of somewhat lower grade that had not been brought into the reserves which would be mined and go to the mill. The productive length of Glen ore shoot was somewhat less than it was two or three years ago, but it continued to be a most important ore body.

The working costs in 1939 were 2s. 7½d. per ton higher than in 1938, due in part to more work being done in supporting the ground in the stopes on the folds in the northern section consequent upon the expansion of work in that section, and in part to the trying conditions in the hot weather which impaired efficiency and increased the cost of ventilation.

The report and accounts were unanimously adopted.

Mining Journal.
20 APR 1940
Date

Naturally, however, what you are most anxious to know is how the new tax is likely to affect your interests as Stockholders. I can deal with it only in general terms. We have made the most careful calculations as to the effect of the tax, but I am reluctant to commit myself to definite figures lest they be misunderstood. The tax is a very heavy one. If we take an imaginary year and assume that we produced, as in 1939, 99,127 ozs. of gold, and that the average price realised was £8 6s. per oz., the gross receipts from sale would be £822,755. The 5% royalty due on this sum is £41,138. The effect of the new tax is that the Mysore Government would first take £59,475—three-quarters of the excess price over Rs.100 per oz.—and then 5% on the balance of the sale proceeds, amounting to £38,164. In other words it would levy a tax on the sale proceeds of £97,639 or £56,501 more than we are required by our mining leases to pay by way of royalty. In effect, that is, the new tax raises the rate of royalty on the these figures from 5% to nearly 12%.

As they proceed the calculations become more reassuring. They show that the burden of the new tax will be offset to a great extent by reductions in the additional royalty payable to the Mysore Government, and in the provision to be made for Income Tax and Excess Profits Tax. Indeed it appears that the new tax will operate much more to the disadvantage of the British Government than that of the Company. I doubt whether the Mysore Government realised this fact when it imposed the tax. From your point of view the most important fact brought out by the calculations is that, though the net profits will inevitably be affected by the new tax, they will not be affected nearly so seriously as at one time we feared. The impact of the blow on this particular Company has been softened by the fact that last year we became liable to Excess Profits Duty.

I have left myself little time to tell you about the Mine, but Mr. Kenneth Taylor, who has just returned from the Field, can speak with much greater knowledge and authority on this subject than I can. We have had a report from Mr. Pryor, who visited the Field last summer, as well as from Mr. Taylor, and both reports were eminently satisfactory. Encouraging results have been obtained in the deep levels, but probably the most important feature of the year's work has been the development in the upper levels and the reclamation of low grade blocks and of ore isolated by previous rock-bursts. Work in these areas is expensive, but if we are able to carry it on with continued success, it should have the effect of prolonging the life of the mine.

The Chairman concluded with a tribute to the services of the managers, Messrs. John Taylor & Sons, with special reference to Mr. Kenneth Taylor—and the staff in Mysore. He moved the adoption of the report and accounts.

Mr. Kenneth B. Taylor, M.C., who seconded the motion, said *inter alia*: Last year I laid some emphasis on the value of the development work in the upper horizons of the mine, and from what I saw of it during a recent visit I think its potentialities are even greater than I had previously contemplated. The upper levels of the Mine cover a long stretch of ground. Throughout this distance the points of attack are numerous and scattered. In the aggregate more than 2,300 ft. of this development work was in ore averaging 30 ins. in width, and nearly 25 dwts. of gold per ton in value. The majority of this work has been done on folds and therein lies the real significance of it.

In the early history of Mysore it derived a good deal of its tonnage and gold from folds which were massive in extent in these upper levels and which lived down to considerable depths. It is not to be expected that the folds we are at present developing, or others that remain to be discovered, will be of such magnitude, but it is almost certain they will provide large tonnages of ore in following them upwards to surface, and it is quite possible that, in following them downwards, fresh light may be thrown on the area from the 51st level down to the 76th, which so far has been singularly unproductive. The development of folds is rather slow work, but I have referred to it so that you may realise why we attach so much importance to the work now going on in the upper horizons.

Turning now to the ore shoot in the bottom of the mine in the vicinity of the North Auxiliary Vertical Shaft: the lode channel in this part of the mine is very wide which makes it difficult to appraise the true value of the ore shoot, because the lenses of quartz are somewhat erratically distributed in this large width. Most of the development work was done at the 89th, 90th and 92nd levels, and in 1,165 ft. of rising, winzing and driving, the quartz disclosed averaged 12.9 dwts. of gold per ton over a width of 45 ins. In places these widths are much exceeded, and the indications are that there are at least two folds, about 200 ft. apart, appearing in this part of the mine. If that is so, when stoping commences we can confidently expect a much larger tonnage from this area than we can include in the estimate of ore reserves.

While I was in India recently I took the opportunity of examining very fully with your Superintendent, Mr. C. B. Taylor, the question of the lay-out for continuing operations in depth, because we are approaching the 96th level which is the maximum depth for which the existing winding engines are designed.

First of all Edgar's Sub Vertical Shaft had to be considered as it is at present equipped with a small engine which was transferred from another shaft, the capacity of which is very limited. As this shaft will eventually be the main artery from the 96th level connecting with the bottom of Edgar's shaft to surface, it was agreed that it must be equipped with a winding engine of adequate capacity. To carry on the mine in depth below the 96th level, three new shafts will be needed, each similar in size to the shaft with which it will connect at that level, and equipped with winding engines designed to hoist from an ultimate vertical depth of 3,000 ft.

The question of working conditions in the future was also discussed, because in the hot months of the year conditions are already very trying at the depth we have at present reached. There can be no doubt that soon the installation of a plant to cool and reduce the moisture content of the down-cast ventilating air will be a necessity if working conditions are to be tolerable and efficiency maintained. Nearly two years ago the Ooregum Company put in such a plant, and the advantages to be gained have been so abundantly proved there, that it has been decided to proceed with a similar plant at Mysore.

In considering the programme of development work, the potentialities of the upper levels, of which I have previously spoken, are so promising that it will undoubtedly be wise to embark on an extended programme of work there, and this is being done. At the same time the development work in depth will be somewhat reduced, as during the period of preparation of the third stage layout to depth facilities will become rather restricted and in any event it will be wise not to press development work in depth until the trying working conditions are relieved by the installation of the cooling plant.

From the financial point of view the decision has much to recommend it. As you know the cost of deepening the shafts annually is a heavy charge. By temporarily slowing down the rate of progress in depth this annual cost will be reduced and the balance will be applied to providing the cost of the programme that I have outlined to you, and which will take several years to bring to fruition. From the estimates that have been prepared, unless in these difficult days they are upset by rising costs, it should be possible to provide the cost of the whole scheme in this way with but a minor call on our capital resources.

The estimate of the ore reserves at the close of the year was 459,000 tons, an increase of 6,000 tons and the grade was 10.8 dwts. per ton, a decline of rather more than half a dwt. Last year I explained to you why the estimate of reserves gives a very conservative picture of what the actual ore resources of the mine are. While in India I went into this question to see whether our method of estimating the ore reserves could not be modified so that the tonnage and grade arrived at would more closely reflect the real position. But I was satisfied that it would not be wise to do so. With the somewhat erratic nature of the lode and the ore bodies it would not be justified without more detailed development which otherwise is not required, and would therefore be uneconomical.

The Chairman has already mentioned the policy of mining low grade ore. With the increasing price for gold that we have enjoyed in recent times you will appreciate that more and more areas of low grade ore developed in the early days become payable, but more important still has been the encouragement that it has given to explore in previously undeveloped areas. The discovery of the folds in the upper levels, that I have mentioned, has been the result, and I cannot deplore too strongly any method of taxation, such as the Government of His Highness the Maharaja of Mysore, have now imposed, which must put a brake on this aspect of development.

The recovery of gold last year was very much on a par with the previous year as the decrease in grade, just over one dwt. was almost made up by treating an extra 28,500 tons of ore in the mill.

In spite of this extra tonnage the aggregate working expenditure increased by only a small amount, so that there was a satisfactory decline of 3s. per ton of ore milled in the working costs, and of more than 1s. 1d. in the cost of development.

The concluding passages of Mr. Taylor's address were devoted to measures taken for the welfare of the Indian workers, their housing, amusement, health, and safety; and to an appreciation of the work of the Superintendent and staff.

The report and accounts were adopted and Sir George S. Barnes, K.C.B., K.C.S.I., was re-elected a Director.

Telegraphic Address :—
"MINESPECTOR"

DEPARTMENT OF MINES AND EXPLOSIVES.

D.O. No. 2316
Cir. 2

Dated Oorgaum, 6th May 1940.

Dear Mr. Raghavachar,

I am enclosing herewith for your information a few extracts from the Mining World and Engineering Record and the Mining Journal dated 6-4-40 and 13-4-40, respectively, regarding the gold taxation policy.

Yours sincerely,

K. Ramaswami

A.N.Raghavachar, Esq., M.A.,
Financial Secretary to the
Government of Mysore,
Bangalore.

R.S.

Mysore Government and Gold Mining Industry.

The recent announcement that the Mysore Government intends to appropriate 75 per cent of the proceeds from the sale of gold in excess of 150 s. per fine ounce has caused considerable disappointment to a large body of investors in this country. That some addition to the already severe taxation imposed on the industry might be justifiable under war conditions is not denied, but having regard to the fact that it comes just as the mines on the Kolar Gold Field are entering upon new leases, the terms of which involve heavier royalties than have hitherto been payable to the Government, this confiscatory policy is viewed with a good deal of resentment.

For more than half a century gold mining has been going on in the Mysore State, and the official records show that the Government have received in royalties over £ 5,000,000 sterling. Recent royalties have amounted to about £ 200,000 per annum. But this is not the only way in which the State has benefited; during all those years the industry has maintained a large population, provided accommodation and healthy living conditions, a well-equipped hospital and medical staff, schools and maternity homes, not to speak of various social amenities for the work people. At present there are something like 24,000 persons actually employed in gold mining on the Kolar Field, in addition to which there are their families and a large number of tradesmen and others whose living depends on the spendings of the mine workers. The amount paid in wages by the companies is between £ 650,000 and £ 700,000 per annum.

Although the mines have now reached very great depths they show no signs of giving out-indeed, in one of the deepest mines the ore is very rich in the bottom levels - but they are naturally

naturally, more difficult and costly to work now than they were formerly. The provision of adequate ventilation is one of the great problems and quite recently air-cooling plant has been installed in some cases. Stope-filling is another expensive and tedious operation, as granite, concrete and steel have taken the place of the old timber supports. It is, in fact, only by constant watchfulness, attention to every new method introduced or device invented, and the exercise of the greatest skill that a high standard of efficiency can be maintained and steady monthly profits earned.

The aim of the managers is to secure the logest possible life for the mines in the interests of all concerned, and, obviously, their profitable existence could be greatly prolonged if the conditions were such as to permit of large-scale treatment of low-grade ore. Were the companies allowed to receive 168 s. an ounce for their gold, a further reduction in the pay-limit might be possible which would add years to the lives of the mines.

R. S. 6/5/40.

THE MINING JOURNAL

April 13, 1940

(page 229)

GOLD TAXATION CHANGES.

The Budget proposals of the new Minister of Finance, the Hon. J.H.Hofmeyr were well received in Parliament, save by the Opposition, and have had a good Press. After a careful examination of the effects of confiscating the 18s. premium on gold sales, Mr. Hofmeyr came to the conclusion that this policy, adopted so hastily by the previous Government, would have a bad effect on the gold mining industry by restricting the new Capital wanted for developing mines and for the flotation of new developing companies, and, by holding up the profitable exploitation of some 500,000,000 tons of low-grade ore, would shorten the lives of the mines and seriously curtail gold mining expansion. As an alternative, he proposes to give the mining companies the full selling price of gold, namely 168 s. per oz. and to recoup the Treasury for the loss entailed, to impose a war tax of 9% on taxable income before deductions for amortisation are made. The yield on the basis of the new policy will be as follows:- With gold at 168s. an oz. the Government will receive on the pre-war basis of cost £ 19,330,000. From this must be deducted that proportion of the increased costs which is debited automatically against the State's taxation and lease revenue. That should give £ 17,746,000 net. If to this figure be added the special contribution of £ 3,500,000, a total is arrived at of £ 21,246,000. This figure will not, however, be actually reached in 1940-41. Firstly, because there are certain mines which will not yield a full year's quota of normal income tax on the higher gold price; and secondly, because it is anticipated that the new scheme of taxation will lead to a lowering of the grade on the Government Gold Mining Areas. For these reasons,

the

the amount is estimated at £ 20,816,000, which means a reduction of £ 264,000 on earlier estimates.

R S. 6/5/40.

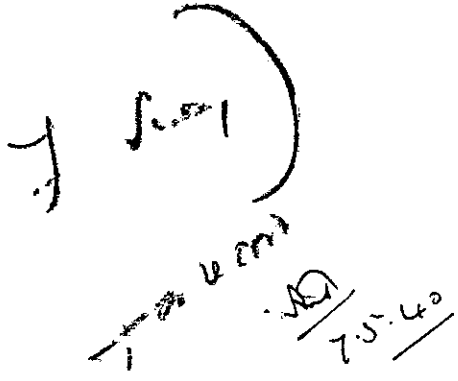
IN. NO. 2356.

Submitted for perusal

5/5/40.

With the Compliments of

The Trade Commissioner for Mysore.



Grand Buildings,
Trafalgar Square, W.C.2.

Sport
Cotton

DUTY ON INDIAN GOLD

906

John Taylor and Sons announce, on behalf of the Mysore, Champion Reef, Ooregum, and Nundydroog goldmining companies, that cabled advice has been received that the Government of Mysore have imposed a duty on gold amounting to three-quarters of the amount by which the sale price of gold exceeds Rs.100 (150s.) an ounce. The duty will take effect from March 22.

Mysore Gold Tax

The Indian State of Mysore has followed the example of other gold mining areas in appropriating a large part of the surplus proceeds of the gold producers over the price of 150s an oz. It was announced yesterday on behalf of the four companies operating in Mysore—Ooregum Gold Mining Co., Mysore Gold Mining Co., Champion Reef and Nundydroog—that as from Mar. 22 the Government of Mysore have imposed a duty on gold to the extent of three-quarters of the amount by which the sale price of gold exceeds 100 rupees, or 150s. per oz.

Until now the Indian gold mining companies have been obtaining the full market price of 168s, less certain freight charges. They have to pay mining royalties and other charges to the Government of Mysore, and these will remain in force, in addition to the new duty. They are thus worse off to the extent of 13s 6d an oz. This legislation, it should be noted, is applied by the Government of Mysore and it is not for the whole of India, though it happens that Mysore is the only important gold-mining State.

The news, though unpleasant, was not altogether unexpected. Prices of Champion Reef and Ooregum shares remained unchanged, while Mysore Gold Mining fell 1½d to 28s, and Nundydroog 7½d to 29s 4½d.

Gold Tax in India

GOVERNMENT of Mysore have imposed a duty on gold amounting to three-quarters of the amount by which the sale price exceeds Rs. 100 (150s.) per ounce. The duty will take effect from March 22.

New Indian Gold Duty

The Mysore Government is to take three-quarters of the gold proceeds above 150s. an ounce from the Indian mines starting this Friday. This is an underhand blow, especially coming just when the South African Government has given a good example by abolishing this bad method of taxing revenue as distinct from profits. In addition it coincides with the coming into full operation of the heavier royalties payable to the above Government under the terms of the new thirty-year leases, which date from the end of this month. The companies have already been paying at the rate of some two-thirds of these more onerous royalties since the new leases were negotiated five years ago. Incidentally, the mines being English registered, are also liable for the increased British income tax and E.P.T. The four mines affected, Champion Reef, Mysore, Nundydroog and Ooregum, are all old concerns now down to pretty good depths. The new levy is thus a particularly short-sighted policy on the part of a Government that is already doing well out of the mines, as by eliminating certain quantities of marginal ore that would otherwise have been payable prospective lives are shortened. The shares reacted, the following being the latest prices with the 1939 dividends in brackets: Champions 36s. 3d. (4s.), Mysore 26s. 3d. (2s. 9d.), Nundydroog 27s. 6d. (4s. 3d.) and Ooregum 11s. 3d. (1s. 3d.).

MYSORE GOLD DUTY

THREE QUARTERS OF EXCESS OVER Rs.100 PER OUNCE

The Government of Mysore has imposed a duty on gold amounting to three quarters of the amount by which the sale price of gold exceeds Rs.100 (150/-) per ounce. The duty will take effect from Friday next, March 22.

Indian Gold shares turned hot on the news yesterday, notably Mysore Champion Reef and Nundydroog.

Mysore's Trade in 1938-39

In general, the major industries in Mysore State during the year 1938-39 witnessed expansion; production and demand was maintained at a higher level than in the previous year. The political events of Europe, however, which dominated the world throughout the year, reacted adversely on the economic life of the people. Price movements indicated further decline as compared with the previous year.

The eight cotton mills in the State produced during the statistical year ended March 31, 1939, 38.5 million yards as against 35 million yards in the previous year. In addition to the mills; there were about forty-eight smaller power loom factories employing on an average more than ten persons per day engaged in cotton weaving. The three woollen mills during the calendar year 1938 produced goods valued at Rs. 12.78 lakhs as against Rs. 20.30 lakhs in the previous year.

The iron and steel industry showed further progress; but the gold mining industry showed smaller production and higher values in tune with the higher ruling rates for gold. There was only one concern engaged in chrome mining. The ceramic industry made good progress, and production in all branches showed perceptible improvement.

In the State there were eighteen engineering works, nine metal and other factories, fourteen large oil crushing concerns, seventeen large tanneries and one match factory operating during the year, as well as 107 concerns engaged in industries connected with food, drink and tobacco. Also working were nineteen brick and tile factories, seven soap factories and eleven miscellaneous concerns.

The sugar industry maintained good progress and production stood at 29,231 tons as against 27,575 tons in the previous year.

Though the quantity of cotton exported during the year was slightly greater, the trade position was weakened owing to erratic price fluctuations engendered by the European situation. The same trends were reflected in coffee, areca, groundnut, coconut, copra and cotton.

MYSORE TAX ON GOLD

906

BANGALORE, March 19.—On and after Friday next the Government of Mysore is imposing an Excise duty on every ounce of gold produced in gold workings of three-quarters of the amount by which the sale price of gold exceeds 100 rupees, or 150s. Gold workings are defined as places where gold is extracted from ore. The proceeds of the tax are expected to amount to about 20 lakhs of rupees annually.—*Reuter.*

DUTY ON INDIAN GOLD

906

John Taylor and Sons announce, on behalf of the Mysore, Champion Reef, Ooregum, and Nundydroog goldmining companies, that cabled advice has been received that the Government of Mysore have imposed a duty on gold amounting to three-quarters of the amount by which the sale price of gold exceeds Rs.100 (150s.) an ounce. The duty will take effect from March 22.

Mysore Gold Tax

The Indian State of Mysore has followed the example of other gold mining areas in appropriating a large part of the surplus proceeds of the gold producers over the price of 150s an oz. It was announced yesterday on behalf of the four companies operating in Mysore—Ooregum Gold Mining Co., Mysore Gold Mining Co., Champion Reef and Nundydroog—that as from Mar. 22 the Government of Mysore have imposed a duty on gold to the extent of three-quarters of the amount by which the sale price of gold exceeds 100 rupees, or 150s, per oz.

Until now the Indian gold mining companies have been obtaining the full market price of 168s, less certain freight charges. They have to pay mining royalties and other charges to the Government of Mysore, and these will remain in force, in addition to the new duty. They are thus worse off to the extent of 13s 6d an oz. This legislation, it should be noted, is applied by the Government of Mysore and it is not for the whole of India, though it happens that Mysore is the only important gold-mining State.

The news, though unpleasant, was not altogether unexpected. Prices of Champion Reef and Ooregum shares remained unchanged, while Mysore Gold Mining fell 1½d to 28s, and Nundydroog 7½d to 29s 4½d.

MYSORE GOLD TAX

Hitherto, Indian gold mining companies have been obtaining full market price of 168s., less certain freight charges, for their gold. They have to pay mining royalties and other charges to the Government of Mysore, and these will remain in force. Now the State of Mysore has followed the example of other gold mining areas in appropriating a large part of the surplus proceeds of the gold producers over the price of 150s. an ounce. It is announced on behalf of the four companies operating in Mysore—Ooregum Gold Mining Co., Mysore Gold Mining Co., Champion Reef and Nundydroog—that as from the 22nd inst. the Government of Mysore have imposed a duty on gold to the extent of three-quarters of the amount by which the sale price of gold exceeds 100 rupees, or 150s. per ounce. The companies are thus worse off to the extent of 13s. 6d. per ounce. The news, though unpleasant, was not altogether unexpected. Prices of the shares of the four companies mentioned have eased on this decision. A preliminary statement by the OOREGUM GOLD MINING Co. shows that profits have been nearly doubled at £103,826 for 1939, compared with £56,742 for 1938. Tax reserve is up from £9,300 to £25,000. The final ordinary dividend is 7½%, making 12½%, against 5%, while the participating preference also receive 7½%, bringing the total for the year up to 22½%, compared with 15%.

Mysore Gold Duty

THE decision of the Mysore Government to impose a duty on gold over 150s. per ounce, has come as a bombshell to the Market. It was thought that this field would be free from any further tax because of the sliding scale royalty already imposed by the authorities on these companies.

Under this scheme the companies pay a royalty of 5 per cent. on net sales proceeds of gold produced and a royalty on profits varying with the dividend paid. For example, if the dividend is under 7½ per cent. this royalty is 2½ per cent., but it rises to 40 per cent. when the dividend is 100 per cent. or over.

Dividend Policy

The profit distribution policy has been conservative in recent years, and Nundydroog, which in 1933 paid 85 per cent., is now paying only 40½ per cent.

It would appear that now the companies are only to have a quarter of the profits made over a price of 150s. some further reduction in dividends can be expected.

In anticipation jobbers have lowered prices all round. Up to the beginning of February there had been steady buying of the shares because of the relatively high yields, but now they appear to have lost their attractions. Before the 1939 dividends were announced such shares as Mysore and Nundydroog were returning something like 10 per cent. and 12 per cent., on the past three years' rate of dividends.

MYSORE IMPOSES 9½% MINING TAX

PROFIT ABOVE 150s. PER OZ. TAPPED

The Mysore, Champion Reef and Nundydroog gold-mining companies have been advised by cable that the Government of Mysore has imposed a duty on gold amounting to three-quarters of the amount by which the sale price of gold exceeds Rs.100 (150s per ounce). The duty will take effect as from 22nd March.

SHARES MARKED DOWN

The Indian gold mines already contribute substantially to the revenue of the Mysore Government through the royalties payable under the terms of their leases. In 1934 these leases, which were due to expire this month, were renewed for a period of 30 years on terms that involved heavier royalty payments than under the old leases.

Royalty at the rate of two-thirds of the new scale was payable forthwith when the new leases were negotiated—payment at the full rate comes into force at the beginning of next month. Then the mines will have to pay:—

(1) A royalty of 5 per cent. on the net sale proceeds of gold produced.

(2) A profits royalty varying with the rate of dividend paid.

This, of course, is in priority to the new export duty on gold now announced. The news was not known in the Stock Exchange until after lunch. The shares were marked down and the margins between buying and selling levels widened. Champion Reef were lowered 1s 3d to 36s 3d, Mysore 1s 1½d to 26s 10½d and Nundydroog 1s 3d to 28s 9d. Ooregum were maintained at 11s 6d.

Indian Gold Levy

The four veteran Indian producers are the latest gold mines to have a war levy imposed upon them. As is the case on the Australian, Rhodesian and West African goldfields and as it was until quite recently on the Rand, the new charge takes the objectionable form of a duty on the gross value of the product, not a tax upon profits. The State of Mysore is to take three-quarters of the proceeds realised for gold above 150s an ounce.

It is particularly hard that a fresh bite at Indian gold mine earnings should be made at this juncture, because next month there comes into full operation the higher scale of royalties which were included in the new leases agreed upon six years ago. The broad effect must be to render it unprofitable to work a considerable proportion of very low grade ore, so reducing the remaining lives of the mines.

In anticipation of the royalty increase, dividends have lately been conservative. Nevertheless, at yesterday's reduced share prices it will be seen that comparatively high yields are shown:—

Share	Present price	Dividends 1938	1939	Yield %
Champion Reef	36/3	4/0	4/0	11
Mysore	26/10½	2/9	2/9	10.2
Nundydroog ...	28/9	4/9	4/3	14.8
Ooregum	11/6	/6	*/6	†8.7

* Interim. † Assuming 1s for year.

The Nundydroog is the shallowest of the quartet, but all four have long since seen their best days. A wiser policy on the part of the Mysore Government would be to encourage the mining of every ton of gold-bearing ore.

Since 1886 the Mysore has paid out over £11,600,000 in dividends, while since 1894 the Champion Reef has distributed some £5,700,000. Unhappily no one can put back into the mines the gold already extracted, but they should last a good many years longer—always provided that the tax authorities and labour are not too exacting.

The Diarist

Indian Gold Duty

The Indian gold mining companies which have been getting the full price for gold while many other producers have had to be content with only part of the premium, are now to pay a duty on gold to the Mysore Government. This is three-quarters of the amount by which the sale price exceeds Rs. 100 (150s.) per oz., and the duty will take effect from 22 March. When the Transvaal gold mines had to forego the whole of the gold price about 150s. per oz. this policy of the Union Government was condemned as being bad in principle. The same criticism must now be applied to the new Indian gold duty although it is true that the Indian producers are left with a limited incentive to increase output.

Three-quarters of the difference between 150s. and the present price of 168s. per oz. is 13s. 6d. per oz., so that the mines are being left with only 4s. 6d. per oz. out of the 18s. per oz. It must be remembered, moreover, that the Indian mines pay a 5% royalty on the proceeds of the sale of their gold to the Mysore Government and also a royalty based on profits; in addition, their earnings are subject to U.K. taxation.

On the basis of the December quarter's results of the Champion Reef mine the additional duty means a reduction of about £11,000 in the company's gold revenue. In that quarter, 17,502 ozs. gold were produced and were sold at an estimated price of 167s. 3d. per oz., revenue, less the 5% royalty, amounting to £139,500. With gold at 154s. 6d. per oz., the revenue, less the royalty, on the same output would be £128,442, and deducting the difference of £11,000 from the estimated working profit would reduce this to £54,000 from £65,800. This would bring the results back to the average of the quarterly returns for the past year; which rather suggests that when fixing the gold duty the Mysore Government took the mines' average gold price for 1939 as the basis. Champion Reef 10s. shares have been a depressed market recently, although the dividend for 1939 has been maintained at the 1938 level, and since the gold duty was announced the price has been marked down further from 37s. 6d. to 36s. 9d., while Mysores have relapsed to 26s. 10½d. and Nundydroogs to 28s.

Ooregum Paying More

The last of the four Indian gold mining companies to declare its final dividend for the past year is the Ooregum. For long the Cinderella of the group, this company is now the only one of the four to increase the distribution to its shareholders. The final of 7½% on both preference and ordinary shares makes 22½% for the year on the former and 12½% on the latter, as compared with 15% on the preference and 5% on the ordinary for each of the two preceding years. With the dividend announcement the company gives the past year's profit as £103,826, against £56,742 for 1938.

A year ago, when the ordinary 10s. shares were standing at 8s. 6d., we expressed the opinion that the development advices in the annual report were calculated to induce holders to wait in the hope that there might be further improvement in the position. The returns for 1939 have shown an increase in the gold output, and on 3 February last we drew attention to the fact that the estimated working profits had been rather more than doubled. Now the ordinary shares are quoted around 11s. 4½d., having been the firmest of the Indian group during recent weeks.

New Indian Gold Duty

The Mysore Government is to take three-quarters of the gold proceeds above 150s. an ounce from the Indian mines starting this Friday. This is an underhand blow, especially coming just when the South African Government has given a good example by abolishing this bad method of taxing revenue as distinct from profits. In addition it coincides with the coming into full operation of the heavier royalties payable to the above Government under the terms of the new thirty-year leases, which date from the end of this month. The companies have already been paying at the rate of some two-thirds of these more onerous royalties since the new leases were negotiated five years ago. Incidentally, the mines being English registered, are also liable for the increased British income tax and E.P.T. The four mines affected, Champion Reef, Mysore, Nundydroog and Ooregum, are all old concerns now down to pretty good depths. The new levy is thus a particularly short-sighted policy on the part of a Government that is already doing well out of the mines, as by eliminating certain quantities of marginal ore that would otherwise have been payable prospective lives are shortened. The shares reacted, the following being the latest prices with the 1939 dividends in brackets: Champions 36s. 3d. (4s.), Mysore 26s. 3d. (2s. 9d.), Nundydroog 27s. 6d. (4s. 3d.) and Ooregum 11s. 3d. (1s. 3d.).

Messrs. John Taylor & Sons announce, on behalf of the Mysore, Champion Reef, Ooregum and Nundydroog companies operating on the Kolar goldfield, India, that cabled advice has been received to the effect that the Government of Mysore has imposed a duty on gold amounting to three-quarters of the amount by which the sale price of gold exceeds 100 rupees (150s.) per oz. The duty will take effect from 22nd March, 1940.

MYSORE GOVERNMENT DUTY ON GOLD.

Shareholders in the Indian gold mines have received an unpleasant shock this week from the announcement that the Mysore Government have decided to impose a duty on gold over 150s. an oz.—that they will, in fact, take three-quarters of whatever is realised in excess of that amount. In this the Government are following the example of the Union Government of South Africa, although the latter has recently deemed it desirable to modify its policy in that respect in order to stimulate the mining of lower grade ore, and thus prolong the life of the industry. The decision of the Mysore Government comes as a nasty blow to investors, because when the terms of the new leases—which are for a period of 30 years from 22nd March, 1940—were arranged, it was understood that the mines would be free from any further special taxation. An assurance to that effect was certainly given as regards the currency of the existing leases, and it was never contemplated that immediately the new leases came into force, with the larger share of the profits the Government would then be receiving, a new tax would be imposed.

WHAT THE COMPANIES WILL NOW PAY.

The mining companies are now paying the Mysore Government a royalty of 5 per cent. on the net sale proceeds of the gold produced and 2½ per cent. on the dividends paid. From the 22nd of this month they will continue to pay a royalty of 5 per cent. on the net sale proceeds, plus a royalty on profits varying with the rate of dividend paid; this latter royalty will be a percentage on the amount of the dividends paid, or on the adjusted profit, whichever is the greater, according to a sliding scale. The scale commences with a royalty of 2½ per cent. on dividends under 7½ per cent., and increases by stages up to a maximum of 40 per cent. on dividends of 100 per cent. or more. The duty on gold now to be imposed will mean that with gold at 168s. per fine oz., the Mysore Government will take 13s. 6d. of the proceeds of every ounce produced. Fearing what effect this may have on the future dividend earning capacity of the mines, the market for Indian gold shares is at the moment rather depressed. To "make good" by increasing the output, as some shareholders have suggested, is not very practicable, because it must be remembered that these mines have now reached very great depths, and ore cannot be taken from the lower levels without at the same time furnishing adequate support by granite filling, which is a somewhat tedious process, otherwise there is a risk of rockbursts.

OOREGUM DIVIDEND.

A preliminary statement issued by the Ooregum Gold Mining Co. of India is to the effect that the profit earned last year amounted to £103,826, as compared with £56,742 in the previous year. Provision for taxation has to be made this year to the extent of £25,000, against £9,300 last year; this covers income tax, excess profits tax, and National Defence Contribution. The directors recommend a final dividend of 9d. per share on both ordinary and preference shares, less tax at 4s. 9½d. and 4s. 6d. in the £ respectively. With the interim dividend previously paid, the ordinary shareholders will thus be receiving 12½ per cent. and the preference 22½ per cent. for the year 1939, as compared with 5 per cent. and 15 per cent. respectively for 1938.

The State of Mysore, in which the most important Indian gold mines are situated, has decided to levy on these mines a special tax equal to three-quarters of the amount by which the sale price of gold exceeds 100 rupees or 150 shillings an ounce. The concerns mainly affected are the Mysore, Champion Reef, Ooregum and Nundydroog gold-mining companies. They are registered in the United Kingdom and, in addition to the burden of British taxation which they thus bear, they have paid tax to the Mysore Government in the form of royalties based on profits on a varying scale. The new duty, which takes effect from March 22, imposes a very heavy additional burden on the industry. On the basis of the latest production figures it should mean reductions in distributable profits of about £47,000 a year for Champion Reef, £67,000 for Mysore, £92,000 for Nundydroog and £54,000 for Ooregum. Admittedly, the companies are allowed to retain some equity in the higher price for gold ; but it is dismally small and the market in the shares has not unnaturally been very weak since the announcement.

MYSORE GOLD DUTY

THREE-QUARTERS OF EXCESS OVER Rs.100 PER OUNCE

The Government of Mysore has imposed a duty on gold amounting to three-quarters of the amount by which the sale price of gold exceeds Rs.100 (150s.) per ounce. The duty will take effect from Friday next, March 22.

Indian Gold shares turned flat on the news yesterday, notably Mysore, Champion Reef and Nundydroog.

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The iron and steel industry showed further progress ; but the gold mining industry showed smaller production and higher values in tune with the higher ruling rates for gold. There was only one concern engaged in chrome mining. The ceramic industry made good progress, and production in all branches showed perceptible improvement.

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Though the quantity of cotton exported during the year was slightly greater, the trade position was weakened owing to erratic price fluctuations engendered by the European situation. The same trends were reflected in coffee, areca, groundnut, coconut, copra and cotton.

Indian Gold Duty 906

The Mysore Government's decision to impose a substantial levy on the gold mining companies has had a depressing effect on the share market, though some dealers profess to have anticipated the move.

Three-quarters of the amount the companies receive for gold above 150s. an ounce is to be taken by the State. Thus we have another instance of the much-criticised policy of taxing the product instead of the profits and on this score alone many will deplore the decision.

THE YUVARAJA OF MYSORE.
Died in Bombay on March 11; aged fifty-one. Heir to his brother, the Maharaja, the Yuvaraja was well known in Europe for his lavish entertaining and as a patron of Indian arts. Shortly before the war his troupe of musicians gave a performance in the Vatican. There is one son, aged 21, now heir to the Maharaja's *gadi*.

GOVERNMENT OF MYSORE

4897

Telegraphic Address:—
"MINESPECTOR"

DEPARTMENT OF MINES AND EXPLOSIVES.

No. 2490 Gen. 1.
D. O.

Dated Oorgaum, 27th May 1940.
(S. India).

Dear Mr. Raghavachar,

I am enclosing herewith, for your kind information, extracts regarding gold taxation policy from Rhodesian Mining Journal for April 1940.

Yours sincerely,

A. N. Raghavachar, Esq., M.A.,
Financial Secretary to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

PROTEST AGAINST GOLD PREMIUM TAX.

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At a mass meeting of smallworkers, held in Gatooma, S. Rhodesia, on March 9, the following motion was carried unanimously:-

(1) That this meeting reaffirms the resolution passed previously by the Mining Federation.

(2) That the present gold premium tax be abolished and that an equitable and just tax on profits be levied on everybody, including all industry, and the Government's requirements be obtained through income tax.

(3) That we consider it only fair that the difference between 150s. and the full price of gold be paid to all producers retrospectively the Government remit all claim licenses and royalties, plus the so-call premium, to all small mines that have shown a loss during the 12 months ended March 31, 1940.

(4) That this meeting passes a vote of no confidence in the Government's mining policy.

HOW LOW-GRADE SMALL MINES ARE PENALISED BY LOSS OF PREMIUM.

In a letter to the "Bulawayo Chronicle" on March 22, Mr. W. C. Kerr gave five concrete cases of working mines which are suffering under the Gold Premium Tax (1939). The figures quoted from the accounts of these mines are (he states) authentic. It will be sufficient if the case of one

one mine is given. This mine is milling highly refractory sulphide ore and rails concentrates to Que Que for roasting. It is, also, a difficul mining proposition, employing jack hammers, and costs are high. It has, however, large deposits of payable ore in sight and should be one of the steadiest future producers in the area. This mine showed a loss of £347 during the period, but paid £413 in premium tax. The owner applied to the Royalty Review Commission for an increase in the basic price, but his application was refused. The operating figures for this particular mine are as follow:- Tons crushed: Mill, 4,650; Sands, 3,550; Slimes, 400. Working Expenses, £5,113. Output, 635.42 ounces. Value, £4,766. Grade of ore milled, 2.73 dwt. Net Loss, £347. Royalties and Claim License fees, £136. Surtax over 150s. at 13s., £413. Total paid to Government, £549. In the other four cases given, whether the mine is a free-milling or refractory ore proposition, the incidence of the tax fall unfairly in relation to working expenses. Further to support the case for the rescinding of the Gold Premium Tax Act, in its present form, the writer illustrates the inequity of the tax by showing its theoretical incidence in relation to grade. The hypothetical figures presented apply to a mine milling 1,000 tons a month at a fixed cost of 13s. per ton, but for grades varying from a recovery of 2 dwt. to 8 dwt. per ton. The four examples clearly prove that, as the grade rises, the percentage of profits due to the Government decreases. Thus, when the grade milled is 2 dwt. the profit to the Government is 95 per cent. of the total; when 4 dwt., it is only 22.9 per cent.; when 6 dwt., 16 per cent; and when 8 dwt., 14.45 per cent. The writer claims that the figures given clearly illustrates the fundamental weakness of the tax in penalising the low-grade, low profit mine and benefiting the high-grade, high profit mine, and probably explains why the majority of the Chamber of Mines voted against the repeal of the tax, as most of the company mines mill a grade in excess of 4 dwt. recovery and benefit through the tax as against the smallworkers whose grade seldom exceeds 4 dwt.

GOVT. OF

M-2661

With the Compliments of

The Trade Commissioner for Mysore.

Submitted for perusal

Bose
19/6/40

J. Ling

Grand Buildings,
Trafalgar Square, W.C.2.

9/6

The Mysore Government's new proposals for taxing gold-producing companies were criticized by Sir Charles A. Innes in his speech at the meeting of the Mysore Gold Mining Company. He pointed out, however, that though the company's net profits would inevitably be affected by the new tax, they would not be affected nearly so seriously as was feared at one time.

Severe criticisms of the Mysore Government's new gold tax proposals were voiced by Mr. A. T. J. Fraser at yesterday's meeting of the Champion Reef Gold Mines of India. No allowance is being made, he said, for the rise in costs caused by the war, and the company's policy of milling lower-grade ore has been hindered, thereby eventually shortening the life of the mine.

Mysore Gold Mining.—Presiding at the annual meeting, Sir Charles A. Innes stated that the Mysore Government from March 22 was appropriating three-quarters of the receipts from gold sales over Rs.100 per ounce. This tax, however, was offset by reduced royalties and by provision for income tax and E.P.T., so that the net profits would not suffer as much as was at first expected.

CHAMPION REEF GOLD MINES

SATISFACTORY YEAR'S OPERATIONS

HON. A. T. J. FRASER'S ADDRESS

The ORDINARY GENERAL MEETING of The Champion Reef Gold Mines of India, Limited, was held yesterday at Southern House, Cannon Street, London, E.C.

The HON. A. T. J. FRASER, D.S.O., the chairman, presided, and in the course of his speech said:—The year's operations on your mine have been thoroughly satisfactory. Both the exploitation and the development of your property have come up to the high level which for the last few years we have come to expect. The only flies in the ointment are the incidence of higher taxation, at which we cannot grumble, and the arbitrary action of the Mysore Government in increasing the already large toll that they take from the Kolar gold industry.

THE YEAR'S REVENUE

During the year ended December 31, 1939, the mine produced 69,058oz. of fine gold from 161,220 tons crushed. The realized value of the gold amounted to £534,795, and after deducting £26,632 for royalty and adding £6,073 for other receipts the total income is £514,236.

Working costs at £297,500 and additional royalty bring total expenditure to £314,480, leaving a profit for the year of £199,755, which is £9,200 more than last year.

After adding last year's balance we have a credit at profit and loss of £215,798. From this figure we have to take £58,000 odd for the interim dividend already paid, £42,000 income-tax reserve, £7,000 for N.D.C., and £20,000 for writings off and reserves. The residual figure available was £88,785, and after paying a final dividend of 22½ per cent. the carry-forward amounts to £14,198, almost identical with last year's figures.

The total dividend for the year is 40 per cent., or 4s. per unit, the same as for 1938.

ORE RESERVES.—Ore reserves stood at December 31, 1939, at 543,323 tons, averaging 10.88dwt. This shows an increase of 12,000 tons, but a decrease of a quarter of a dwt. in average grade over last year. This may be considered as eminently satisfactory in view of the fact that a smaller amount of development has been done on the high-grade Glen's ore shoot than usual.

PROVISION FOR TAXATION

This year we had to put aside from our profits £49,000 towards income-tax and N.D.C. reserves. Last year the figure was some £10,000 less. With no increase in taxation and a similar mine profit the figure for the current year may be in the neighbourhood of £55,000. Large though these sums undoubtedly are (and, of course, they are all in addition to the 3s. 11d. or so automatically deducted from every £1 from our stockholders' dividends), still I consider that we have no cause to grumble when we think of the vast sums required by the Treasury and the country to carry on the war. [illegible] the exactions made by

sider that you, our stockholders, have a distinct grievance. You will remember that some six years ago negotiations with the Mysore Government were entered into, and after much discussion the terms of the new lease of the mines were agreed upon.

The old lease expired on March 22, 1940; during the period between the date of the fixing of the agreement and the expiry of the old lease a certain rise in the share received by the Mysore Government was agreed to by us. The full rise only took place as from March 22, 1940. That we cannot take exception to; it was a freely negotiated deal.

MYSORE GOVERNMENT'S NEW TERMS

As regards power supply, our present contract terminates this year. In the coming six months a new agreement has to be fixed between us as to the price of power used by us and supplied by the Cauvery Falls Power Station owned and operated by the Mysore State. Mr. Kenneth Taylor, who has just returned from India, was busy with these negotiations during his visit, and he reports that the price per unit which the Government have asked for is a considerable increase on what it costs us to-day.

In this country we look to a public supplier, and especially a Government concern, as a public utility company which should be content with a reasonable return on its capital. One can imagine the uproar in this country at the sudden increase in rate to long-established customers who had no possibility of looking elsewhere for an alternative supply, and this when the only apparent reason is to obtain more profit on an investment that already yields a reasonable return.

But the expropriation of 75 per cent. of the amount by which the price of gold exceeds 150s. per ounce is the action which we consider the most unjustifiable. It is true that other countries have taken similar measures, but in these cases it was quite definitely as a war tax, and in the case of the South African Government they have realized the unfairness of it and have substituted a profits tax. The Mysore Government would in any case take a very considerable proportion of the extra value and profit represented by the 13s. 6d. per ounce which they are now swallowing wholesale. Then again no allowance is being made for the serious rise, caused by the war, which has already taken place in stores and material.

Moreover, the policy which we had progressively hoped to pursue of milling lower-grade ore as the price of gold rose has been hindered, thereby eventually shortening the life of the mine to the detriment of stockholders, and the still greater ultimate loss, direct and indirect, of the Mysore Government. Finally, this action of the Mysore State will have the effect, less in the case of Champion Reef than some of the other mines, of reducing the amount paid in taxation to the British Government, a state of affairs which we cannot visualize with anything but great dislike.

MR. SYDNEY E. TAYLOR'S REMARKS

Mr. SYDNEY E. TAYLOR, D.S.C., said that last year he expressed the hope that the scheme for carrying the mine to greater depths would be in operation within the original estimate of four years from the time of commencement early in 1936. Unfortunately, the completion of the scheme had been held up owing to the delay in the delivery of certain parts of the new winding engine for Gifford shaft. Those parts had now reached the mine and the erection of the winding engine was proceeding. Consequent upon this delay, the full benefit to the ventilation of the mine had not yet been obtained. The neighbouring Ooregum Mine had obtained such beneficial results from the installation of an air-conditioning plant that it was decided to erect a similar plant for Champion Reef. Most of the plant had now reached the mine and it was hoped to bring it into operation within the next few months.

Development results continued to be very satisfactory. The development of the folded ore body in the Northern section and Glen ore shoot in the Southern section continued to yield satisfactory results. On the folds a large tonnage of ore of over 6dwt. grade had been added to the ore reserves during the year and there was a further large tonnage of somewhat lower grade that had not been brought into the reserves which would be mined and go to the mill. The productive length of Glen ore shoot was somewhat less than it was two or three years ago, but it continued to be a most important ore body.

The working costs in 1939 were 2s. 7½d. per ton higher than in 1938, due in part to more work being done in supporting the ground in the stopes on the folds in the northern section consequent upon the expansion of work in that section and in part to the trying conditions in the hot weather which impaired efficiency and increased the cost of ventilation.

The report and accounts were unanimously adopted.

COMPANY MEETING

CHAMPION REEF GOLD MINES OF INDIA.

SATISFACTORY YEAR'S WORKING.

The Ordinary General Meeting of The Champion Reef Gold Mines of India, Limited, was held yesterday in London.

The Hon. A. T. J. Fraser, D.S.O. (the chairman) said that during the year the mine produced 69,058oz. of fine gold from 161,220 tons crushed. The total income was £514,236 and total expenditure £314,480, leaving a profit of £199,755, which was £9,200 more than in the previous year. A total dividend of 40%, or 4/- per unit, the same as for 1938 was being paid. Ore reserves at 543,323 tons, averaging 10.88dwts., showed an increase of 12,000 tons, but a decrease of a quarter of a dwt. in average grade, over the previous year. That was eminently satisfactory as a smaller amount of development had been done on the high-grade Glen's ore shoot, many working faces being closed down at the hottest period of the year.

The Board considered the expropriation by the Mysore Government of 75% of the amount by which the price of gold exceeded 150/- per ounce to be most unjustifiable. The Mysore Government would in any case take a very considerable proportion of the extra value and profit represented by the 13/6 per ounce that they were now swallowing wholesale. No allowance was made for the serious rise in stores and material and the action of the Mysore State would hinder the policy of milling lower grade ore as the price of gold rose, thereby eventually shortening the life of the mine.

The report was adopted.

COMPANY MEETINGS

OOREGUM GOLD MINING CO OF INDIA

906

Increased Profit and Dividend

SATISFACTORY DEVELOPMENTS

Mysore Government Taxation Demands

The ordinary general meeting of the Ooregum Gold Mining Co. of India, Ltd., was held yesterday at Southern House, Cannon-street, E.C. The Hon. A. T. J. Fraser, D.S.O. (the chairman), presided.

The Assistant Secretary (Mr. C. A. Skilton) read the notice convening the meeting and the report of the auditors.

The Chairman said: I am glad to be able to tell you that the year's workings have resulted in a very gratifying increase in the annual profit, and that this has been reflected in an increased rate of dividend. The cause of this increase lies partly in a slightly higher grade of ore having been sent to the mill, and partly in increased price of gold. The development at the bottom of the mine has been satisfactory but in no way sensational, and it is extremely gratifying that an appreciable increase in the ore reserves can be reported.

The mill crushed 161,350 tons of ore for a recovery of 53,710 oz. of fine gold. The average grade of ore milled was 6.81 dwt. against 6.46 last year. The price realised per ounce was £7 14s. 9½d., almost exactly 12s. 6d. higher than last year. After deducting royalty and adding other small receipts the net income is £402,558. The working costs after adding nearly £3,000 for additional royalty amounted to £298,731. The profit, therefore, is £103,826, or an increase of £47,084.

The total at profit and loss account after adding last year's carry-forward and a small sum for dividends amounts to £115,974. Against that figure we have already paid out £30,400 as interim dividend, and we propose to allocate £8,000 to income-tax and £17,000 to E.P.T. and N.D.C. reserves, also £22,000 to writing off and other reserves.

This leaves a balance of £38,574, and the directors now recommend a final dividend for the year of 9d. per share on both Preference and Ordinary. This would leave £10,975 to be carried forward, a figure some £700 higher than last year. The dividend for the year would then amount to 2s. 3d. per share, or 22½ per cent. on Preference and 1s. 3d., or 12½ per cent., on Ordinary shares. The cost per ton shows a slight decrease at 27s. 2d., and this, I think, is the result of improved working conditions in the mine due to the air-conditioning plant installed in the previous year. The capital expenditure on buildings, machinery and plant amounts to the modest figure of £9,442.

Ore reserves now stand at 304,700 tons of an average grade of 10.08 dwt. This shows a gratifying increase of more than 44,000 tons, and the grade is to all intents and purposes the same. There is a further 83,000 tons of probable ore of low grade payable at the present price of gold.

DEVELOPMENT WORK

Development during the year has been [illegible] thanks to improv[illegible] as much ore as possible from low-grade stopes which under ordinary conditions would be unpayable. It is this policy which for the last few years has enabled us gradually to bring the mine into a condition which gives us some confidence as to the future. By thus, so to speak, skimming the cream off the price of gold, the Mysore Government have prevented us carrying on this process still further, thus shortening the ultimate life of the mine; in this they are acting not only to the detriment of shareholders, but still more to their own. I assert with confidence that from their own point of view it is a short-sighted policy.

Another aspect of this tax is one which we can only view with great dislike. One of the indirect effects of it is to reduce the amount of money which would otherwise fall to the British Government's share. This is specially so in the case of Ooregum mine.

I cannot sit down without asking you to join your board in thanking all those in every department of the mine who have given us such loyal and successful service during the year.

The Chairman concluded by moving the adoption of the report and accounts.

Mr. Edgar Taylor seconded the motion.

MR. SYDNEY TAYLOR'S ADDRESS

Mr. Sydney E. Taylor, D.S.C., said: It is pleasing to be able to report an improvement not only in the general position in the mine, but also in the production and profits. While the rise in the price of gold was largely responsible for the higher profit the increase of 2,534 oz. in the year's production also played an important part, and in this connection it is interesting to note that the returns for the first three months of the current year show a further expansion of the output. Development work is proceeding at a higher rate than for very many years past; the total footage accomplished in 1939 was 15,348 ft., compared with 13,079 ft. in the previous year.

In the southern section of the property the Central ore shoot was developed at the 88th, 89th and 90th levels. At the 88th level this ore shoot was 567 ft. long, the quartz averaging 17 in. in width and assaying 29 pennyweight per ton, which results are very similar to those obtained in the level above. Below the 88th level the productivity of this ore shoot began to fall off. At the 89th level there were only three short lengths of payable ore, aggregating 145 ft. with an average width of 18 in. and assaying 26 dwt. per ton.

At the 90th level the reef is narrow and low-grade except for a length of 70 ft. averaging 18 in. wide and assaying 20 dwt. per ton. Pegmatite was found to intrude into the lode channel in two places at this level and also in one of the winzes below the 89th level. Since the close of the year two winzes have been sunk to the 91st level, and driving on the reef at this horizon has commenced, but to date no values have been found.

The rapid falling off in the value of the

conditions, and the results have been, as I have said, satisfactory, but not sensational.

Results on Main lode in the auxiliary section at the 89th and 90th levels are distinctly poorer than the levels above. This ore shoot has always been of an erratic and patchy nature, and although some very high values have sometimes been got, the widths have always been small. Still, it has for some years produced a lot of good ore, and will, I hope, continue to do so.

Developments on the West Reef, which for some years now has been our principal standby, are very encouraging, and show a very distinct increase in length towards the north in the levels recently opened up.

Bullen's area still remains rather tantalising. The pegmatite previously associated with the ore channel here has at the last two levels almost disappeared. In the bottom level the ore channel is more definite, and quartz, though narrow, is more continuous; gold values though occasionally good are erratic, and so far no stoping ground has been opened up. One can only say of this formerly most productive section of the mine that it is now improving with depth, and that judging from experience on other parts of the Kolar field the reef here may at any time become definitely productive.

TAXATION BURDENS

It is indeed unfortunate, in more ways than one, that the revival in the fortunes and increase in the dividend earning capacity of your mine should have coincided with the difficult financial times which we are now going through. At the moment it is almost impossible to forecast what the effects of these will be on the future dividends of your company. Let me give you some of the main factors.

On the 22nd of March this year the company became liable for the full increased toll exacted by the Mysore Government in the new lease, the terms of which were negotiated some six years ago, but which only come into full force on the date mentioned. Secondly, on that date the same Government elected to appropriate to themselves three-quarters of the amount by which the value of an ounce of gold exceeded 150s., this with gold at 168s. equals 13s. 6d. per ounce. Thirdly, our agreement with the Government for power from their hydro-electric plant expires at the end of this year, and Mr. Kenneth Taylor, just returned from India, has been negotiating the new agreement. He informs us that the Mysore Government is asking for an increased price per unit which we consider unjustifiable. So much for the demands of Mysore State.

As regards our own Government's demands, while they are grievous and heavy we at least feel that they are fully justified and that we must just grin and bear it. You will see that in the accounts for the year under review, allowance for income-tax is £8,000, and E.P.T. and N.D.C. £17,000. This is, of course, in addition to the income-tax directly paid by you shareholders as set out in your dividend warrants. Last year the relative figures were £8,000 and £1,300 respectively. In the current year these figures will not be less than for 1939, and may be considerably more.

AN ARBITRARY ACT

The demands of the Mysore Government, we feel, are by no means so easy to bear with equanimity. When we consider the enormous benefits which, over a period of fifty years, they have received both directly in revenue and indirectly in employment for their workmen, traders and cultivators from the Kolar Gold Field, we must come to the conclusion that the direct appropriation of some 13s. 6d. for every ounce of gold won, while gold stands at its present figure, is an arbitrary act which is very difficult to justify. It is the more unfortunate in the case of Ooregum, because this mine has, as you all know, just come through a very lean period. For some years Ordinary shareholders have had to be content with a meagre 3d. and 6d. as dividend, and even that dividend has only been made possible by the most careful husbanding of resources.

Our policy has always been, while the price of gold is high, to send to the mill

central ore shoot is disappointing, but the erratic distribution of the gold values has always been a feature of this reef. Below the 82nd level a somewhat similar impoverishment occurred and a large part of the 84th level was quite unproductive. However, good values reappeared to the north and to the south and soon formed the valuable ore shoot which extends from the 85th to the 89th level. Exploratory development of the Central ore shoot in depth proceeds apace to search for a new make of payable ore, and we can rely on the staff at the mine devoting their utmost zeal in this endeavour.

Turning now to the West reef, last year's work opened up the full length of the ore shoot at the 88th and 89th levels, a good part of the 90th level was also driven, and the 91st level had just been reached at the close of the year. Commencing at the 86th level there is an extension of the values to the northward, and by the 88th level this extension had added considerably to the length of the ore shoot, and for the first time its northern edge was found on the north side of the large dyke.

To sum up the position, in the southern section we have encountered an impoverishment of the Central ore shoot, but have every hope of finding a remake of values. The West reef continues to be highly productive, and the northward extension of values is an encouraging feature. In Bullen's section the reef, though narrow, is well defined and the low values are improving. The prospects in this section are at present better than they have been for some years past, but they have not yet improved to the point of adding new supplies of stoping ore. The ore reserves show an increase of 44,252 tons and are now estimated at 304,698 tons of an average grade of 10.08 dwt. per ton. This is more than double what the reserves were six years ago. The large increase in 1939 was due to the rapidity with which the ground was opened up and the comparatively small part of the output that was drawn from the payable ore reserves. This was made possible by continuing to mine as much as possible from stopes on low-grade ore and in reclamation areas.

BENEFIT OF AIR-CONDITIONING PLANT

The air-conditioning plant which, as you heard last year, commenced to supply cool, dry air to the mine in August, 1938, has continued to operate very satisfactorily. It is now possible to appreciate more fully the striking benefits of air-conditioning in the mine. The improvement in the general efficiency of the underground labour has enabled them to do more work and earn more pay, the speeding up of development work and stoping has been achieved with fewer men, and important savings in cost have been realised. There has been a substantial decrease in trivial accidents and the supervisory staff and officials can work longer hours in the mine with less fatigue. The big increase in the ore reserves is the direct result of the faster rate of development that is now possible. Undoubtedly the greatest economic benefit of air-conditioning is the lengthening of the life of the mine, for it makes it possible to contemplate mining operations at depths far greater than we have yet reached.

A NEW MAIN WINZE

Bullen's incline reached its final depth at the 88th level and a new main winze will be required to carry the mine down below this level. An electric hoist has been ordered and preparations for sinking the main winze and cutting the engine chamber are well advanced. Although there was little change in the tonnage crushed in the mill, the total ore hoisted from the mine was some 8,500 tons more than in the previous year, most of this being added to the reserve dump of ore on surface. It is very satisfactory to find that including the cost of breaking and hoisting this extra tonnage and the increased development footage as well as a larger amount of support work the total mine costs were practically unaltered. I think you will agree that the results of the year's working have been very satisfactory and I feel that we can look to the future with confidence. We have on the mine an excellent staff who work with much zeal

(Continued at foot of following column)

(Continued from preceding column)

under the able guidance of the superintendent, Mr. G. B. White. I would like, in concluding my remarks, to express to Mr. White and his staff the appreciation of my firm for their untiring efforts, and to congratulate them on the achievement of such excellent results.

The report and accounts were unanimously adopted, and the dividends as recommended were approved.

The retiring directors and auditors were re-elected, and a special resolution was agreed to sanctioning the appointment of alternate directors.

906

Ooregum

For some years past Ooregum Gold Mining Co. of India has, for technical reasons, experienced difficult conditions. As was shown by the recent annual report, there were at last signs of a distinct improvement in the company's position last year. Therefore, as the Hon. A. T. J. Fraser insisted at yesterday's meeting, the incidence of the Mysore Government's gold tax on the Ooregum company is especially invidious. At the recent meeting of the Champion Reef and Mysore Gold Mining companies, exception has been taken to this new impost of the local Government. Whether it is reasonable to expect any amelioration of the tax cannot be forecast. But the statements at yesterday's Ooregum meeting reinforce strongly the suggestion that some lifting of this burden should be conceded by the Mysore Government. With the qualification of this new tax, which falls almost coincidentally with the full incidence of the new royalty scales, the position of Ooregum may be regarded with some satisfaction. As at the end of last year, the ore reserve position had improved usefully, and, on the whole, the betterment in the development position appears to have been maintained. Moreover, it is important to note the improvements which have accrued from the air-conditioning plant which was installed towards the end of 1938.

OOREGUM GOLD

The meeting of the Ooregum Gold Mining Company of India presented the Hon. A. T. J. Fraser with another opportunity yesterday to protest against the Mysore Government's financial demands on the Kolar field producers. The Government is expropriating 75 per cent. of the amount by which gold proceeds exceed 150s per ounce. THE FINANCIAL TIMES has criticised this impost on the ground that it ignores profits and, of course, costs, and is purely a tax on revenue. It is also the outward sign of a shortsighted policy, for to the extent that it checks the extension of milling low-grade ore the effective lives of the mines are shortened.

The present position is the more unfortunate for Ooregum, as this mine has just come through a lean period and had been brought into a condition giving some confidence for the future. It must be hoped that the Mysore Government, with South Africa's change as an example, will reconsider its gold taxation. As to the mine working, Ooregum has increased profits and dividend, development has been satisfactory, and 44,000 tons has been added to the ore reserves without disturbance to the grade, which averages 10.08 dwts.

Mysore Gold and the New Tax 906

After the meeting of Mysore Gold Mining we can begin to gauge with rather greater accuracy the effect on distributable profits of the new gold mining taxation imposed by the State of Mysore. Sir Charles Innes was more than candid in his estimates of the new levy on production. He propounded all the familiar arguments against so inept a form of taxation, arguments which received such good, and in the end effective, airing following the South African Government's similar measure of expropriation. The utter inanity of the new tax is brought into clear prominence when applied in the case of these Indian gold mines which have now been worked to such depths that the life of the properties must depend to a considerable extent on the working of low-grade ore in the shallower levels left untouched during earlier mining operations when gold was 85s. an ounce.

These criticisms of the tax are not prompted by its effect on the distributable profits of the company. Given the higher royalty which becomes payable this year, and the heavier taxation to which the company is liable in the United Kingdom (the company is now subject to E.P.T.), the whole of the benefit of the higher gold price was wiped out in respect of the latest profits. As the new tax becomes a charge on profits liable to the other forms of taxation, the result is that it will operate much more to the disadvantage of the British Treasury than to that of the company. Thus, though the net profits of the company will inevitably be affected by the new tax, its impact will not be nearly so serious as had at one time been feared.

Mr. Kenneth Taylor, who spoke at the meeting about the technical situation at the mine, stressed the need for installing air-conditioning plant, given the depth to which the lowest workings were now being driven. An extended programme of work is also being undertaken to develop ore in the upper levels where prospects are very promising. The necessary expenditure should be provided mainly out of revenue " with but a minor call on the company's capital resources "—a point to bear in mind when viewing dividend prospects.

DAILY TELEGRAPH 26.4.40.

CHAMPION REEF GOLD MINES OF INDIA.

IMPROVED RESULTS.

The ordinary general meeting of the Champion Reef Gold Mines of India Ltd. was held yesterday in London.

The Hon. A. T. J. FRASER, D.S.O. (chairman) said that during the year the mine produced 69,058oz of fine gold from 161,220 tons crushed. The total income was £514,236 and total expenditure £314,480, leaving a profit of £199,755, which was £9,200 more than in the previous year. A total dividend of 40 per cent. or 4s per unit, the same as for 1938, was being paid. Ore reserves at 543,323 tons, averaging 10.88dwt, showed an increase of 12,000 tons, but a decrease of a quarter of a dwt in average grade, over the previous year. That was eminently satisfactory, as a smaller amount of development had been done on the high-grade Glen's ore shoot, many working faces being closed down at the hottest period of the year.

The board considered the expropriation by the Mysore Government of 75 per cent. of the amount by which the price of gold exceeded 150s per ounce to be most unjustifiable. It was true that other countries had taken similar measures, but in those cases it was quite definitely as a war tax, and the South African Government, realising the unfairness of the measure, had substituted a profits tax. As regards British taxation, burdensome though it might be, they had no valid objection. The Mysore Government would in any case take a very considerable proportion of the extra value and profit represented by the 13s 6d per ounce that they were now swallowing wholesale. No allowance was made for the serious rise in stores and material, and the action of the Mysore State would hinder the policy of milling lower-grade ore as the price of gold rose, thereby eventually shortening the life of the mine. It would also reduce the amount paid in taxation to the British Government.

The report and accounts were unanimously adopted.

CHAMPION REEF GOLD MINES OF INDIA.

THE TAXATION BURDEN.

As will have been gathered from the article dealing with the position of the Champion Reef Gold Mines of India which appeared in our issue of 6th April, most gratifying increases were shown during 1939 in tonnage milled, value of gold produced, profit earned and reserves of ore developed. The address of the Hon. A. T. J. Fraser, the chairman, and that of Mr. Sydney Taylor, of Messrs. John Taylor & Sons, the managers, at the meeting on Thursday, show how the activities of the company are being continued to the benefit alike of the State and the stockholders, and particularly of the large number of workers employed and their dependants. One would imagine that those upon whom rests the responsibility for carrying on beneficial work of this character would receive all the encouragement and assistance that it is within the power of the Mysore Government to afford them. But, unfortunately, such is not the case, and members of the Champion Reef and other companies have a distinct grievance against the authorities. Not only does the Government demand a considerable increase in the rate paid for electrical power supplied by the Cauvery Falls Power Station, which they own and have been operating now for many years at a reasonable profit, but, as recently announced, they have intimated their intention to take 75 per cent. of the amount by which the price of gold exceeds 150s. per fine oz. In both cases the mining companies are helpless. They have no alternative supply of electrical power to which they can turn, and at the present stage it would be much too costly an undertaking to establish one, even if it were possible to do so. As to the gold tax, Mr. Fraser rightly considers it most unfair and unjustifiable. Other countries, as he said, have done the same thing, but it was quite definitely regarded as a war tax, and, in the case of the Government of the Union of South Africa, they have realised its unfairness and have substituted a profits tax. The policy the Champion Reef Co. hoped to pursue, of milling lower grade ore as the price of gold advanced, has now been hindered, consequently the life of the mine is shortened to the detriment of the stockholders, of the Mysore Government, and, not least, of the community on the Kolar goldfield.

The speech of Mr. Sydney Taylor dealt more particularly with the year's development work. This he showed to have been most encouraging, especially in the bottom of the mine. Glen's ore shoot continues to maintain its value, and there is every prospect of a new shoot being opened up further south than Glen's. Quartz of good average grade is still being met with in the northern section, developments on the folds from the 80th to the 83rd levels during the year having resulted in a considerable tonnage of payable ore being blocked out. Mr. Taylor spoke of the trying conditions in the lower levels owing to the high temperature. The company is installing air-conditioning plant; this was expected to be in operation by about this time, but owing to delays due to the war it is not expected to be brought into commission before next July. If it is as successful as similar plant has been at the neighbouring Ooregum mine, a really great improvement in working conditions should be experienced, and this should find reflection in the general comfort and contentment of the workers, increased speed and facility in development, an all-round decrease in costs, and an improvement in the standard of efficiency.

OOREGUM GOLD MINING COMPANY OF INDIA

INCREASED PROFIT AND DIVIDEND

THE ordinary general meeting of the Ooregum Gold Mining Company of India, Ltd., was held yesterday in London.

The Hon. A. T. J. Fraser, D.S.O. (the Chairman) said that there was a gratifying increase in the annual profit, which had been reflected in an increased rate of dividend. The cause of that increase lay partly in a slightly higher grade of ore having been milled and partly in increased price of gold. The profit, at £103,826, showed an increase of £47,084. The directors recommended a final dividend of 9d per share on both Preference and Ordinary, thus making 2s 3d per share, or 22½ per cent., on the Preference, and 1s 3d, or 12½ per cent., on the Ordinary shares. The ore reserves stood at 304,700 tons of an average grade of 10.08 dwts, a gratifying increase of more than 44,000 tons, the grade to all intents and purposes being the same. There was a further 83,000 tons of probable ore of low grade payable at the present price of gold. Development had been pushed ahead well, thanks to improved air conditions and the results had been satisfactory but not sensational. Developments on the West Reef, which for some years now had been their principal standby, were very encouraging, and showed a very distinct increase in length towards the North in the levels recently opened up.

It was unfortunate that the revival in the fortunes and increase in the dividend-earning capacity of the mine should have coincided with the difficult financial times that were being experienced. It was impossible to forecast what the effects of these would be on the future dividends of the Company. In March they became liable for the full increased toll exacted by the Mysore Government in the new lease negotiated some six years ago, and on the same date that Government elected to appropriate to itself three-quarters of the amount by which the value of an ounce of gold exceeded 150s. Further, an increased price per unit for power was being asked by the Mysore Government.

With regard to the British Government's demands, although they were grievous, at least they were fully justified, but the demands of the Mysore Government were by no means easy to bear with equanimity. The appropriation of some 13s 6d for every ounce of gold won at the present figure was difficult to justify, and was the more unfortunate in their case in that the mine had just come through a very lean period. It would prevent their carrying still further their policy of sending to the mill, while the price of gold was high, as much low-grade ore as possible, thus shortening the ultimate life of the mine. An indirect effect would be to reduce the amount of money that would otherwise fall to the British Government's share.

Mr Sydney E. Taylor, D.S.C., said that the ore reserves were more than double what they were six years ago, as a direct result of the faster rate of development now possible. The greatest economic benefit of air conditioning was the lengthening of the life of the mine, for it made it possible to contemplate mining at depths far greater than had yet been reached.

The report was adopted.

KAPAR PARA RUBBER ESTATES, CO., LTD.

DIVIDEND DOUBLED.

Since 1935 this old-established Malayan rubber company has actively pursued a replanting policy, no less than 896 acres having been dealt with out of a total planted area of 3,570 acres. The cost of this work is charged to reserve account, which over the past five years has thus been reduced from £38,000 to £23,842. There can be no doubt that the company has received value from the outlay of its reserves in this way, and as the remaining balance of the fund—and more besides—is held in cash and Government securities, no difficulties will arise in financing these important developments until in due course the young trees become self supporting. An interesting departure of the past year was the company's participation in the Ulu Yam Rubber Co., a project in which a number of Malayan companies, having no reserve land themselves, have pooled their new planting rights in opening up an estate on the most modern lines. Kapar Para's interest in this joint enterprise is 15,250 £1 shares, which at December 31 last were 7s. 6d. paid up. By the end of this year Ulu Yam will have over 900 acres planted with budgrafts of ploved clones or clonal seeds. About 300 acres of the area should appertain to this company.

From a tappable area of 2,674 acres, Kapar Para last year harvested 599,219 lb. as compared with 637,989 lb. in 1938 and 908,556 lb. in 1937. As the amount exportable was 575,794 lb. against 520,978 lb. in the previous year, the surplus stock has been further moderately increased to 191,574 lb. The net price rising from 6.69d. to 8.52d. per lb. placed the company in a better profit-earning position, and helped by the modest expansion in export quota, the figure actually reported is £7,102 against £2,929. Much of the previous year's 2½ per cent. dividend had come out of profits already in hand; the 5 per cent. payable for 1939, absorbing £7,500, has been almost wholly earned in the period under review. The credit balance forward is £8,536.

No further reduction having been required in connection with old areas cut out, the standard production for 1940 is 963,000 lb., which is only fairly good for the 2,674 acres in bearing. When the replanted areas come to bearing a very different figure will probably be claimed. Meantime assuming a 70 per cent. export quota, the company should have about 675,000 lb. disposable this year, and with the better prices prevailing this implies a larger profit than in any recent year. The sum of £15,489 had been earned in 1937, and though standard production was considerable higher then, we think 1940 should surpass that result nevertheless.

AMHERST ESTATES (SELANGOR) RUBBER CO., LTD.

SATISFACTORY DIVIDEND EXPERIENCE.

As is revealed by dividend payments totalling 32 per cent. over the past four years, this company has proved a more satisfactory investment than many others during that time. Neither of the past two years, with dividends of 6 per cent. on both occasions, have fulfilled the promise of the earlier two, but severity of restriction has been largely to blame for this. In particular the decline from 967,018 lb. to 616,555 lb. in the exportable allowance between 1937 and 1938 was disconcerting. Amherst's success in minimising the effects of this radical change in operating conditions lay in the commendable "forward sales" policy of the board, which ensured an average gross price of no less than 10d. per lb. for 1938, a level for a notoriously reactionary year higher than in either 1937 or 1939.

At 801,071 lb. the crop harvested last season was practically the same as in 1938, but the exportable allowance was 686,279 lb. against 616,555 lb. so that it was not necessary to sell at sacrificial prices so much of the additional rubber harvested with the object of obtaining a more economical production. An average all-in cost, based on the exportable allowance, of 5.71d. per lb., inclusive of debenture interest, shows that the economy aimed at was duly attained. The corresponding figure for 1938 had been 6.3d. A not unsatisfactory gross average price of 9.1d. per lb. last season played its part in giving the company a profit of £10,221, which was slightly more than in 1938. Maintained at 6 per cent. the dividend takes £6,398, subject to tax, the sum of £1,750 is reserved for investment in the properties and when £1,500 has been reserved for income tax, the credit balance forward is £573 higher at £2,448 subject to various deductions.

With a further area of 178 acres dealt with last year, Amherst has now replanted over 300 acres. Of the area of a tappable age, i.e., 2,290 acres, nearly 900 acres may be classed as young, having been planted out between 1925 and 1933. There are four divisions to the property and their combined standard production at 1,227,600 lb. for 1940 shows a satisfactory increase of 71,700 lb. compared with the previous year. Amherst's prospects for 1940 are quite favourable.

Mining and Exploration

THE KOLAR FIELD.

RESULTS OF NUNDYDROOG, MYSORE AND OOREGUM.

The four mines on the Kolar goldfield of Mysore constitute one of the most interesting mining propositions in the world, and as they remunerate their shareholders in a very satisfactory manner, the interest elicited in their methods of operation is by no means purely academic. It is getting on for sixty years since this group of mines was first introduced to the British investor, and while some time elapsed before the dividend stage was reached, once they had got going there was never any doubt about the sound quality of the propositions. The remarkable feature is that they have kept going so long. Although varying in richness of content the gold formation is found to exist at whatever depth it is encountered, and while from time to time investors must have felt that succeeding enrichments at depth could not go on for ever, the fact remains that they always have done so up to now.

Granting this, however, does not explain the continued prosperity of the mines. The ore has to be got out of the earth before it can be of any use, and the explanation of the Kolar group's success is that not only have means been devised to excavate ore from prodigious depths in the ground, but that these means have proved sufficiently economical to make the work thoroughly worth while. In this matter the mines have been singularly fortunate in the qualities of their managers and consulting engineers. Messrs. John Taylor and Sons occupy the position of pioneers in the conduct of deep level mining, and none of the problems of ventilation, rock pressure, haulage and so forth—which necessarily assume new and exaggerated forms as workings are taken ever deeper—have been beyond their powers to solve. It is true that there are other deep level mines in the world and that just as scientific discoveries are made available for general enlightenment, the confraternity of mining engineers acquaint one another with the general line of any progress in technique. But the mines in the Kolar field being a jump or two ahead of the others, are generally faced with these problems first, besides which, of course, there are always

the local characteristics to consider which naturally require special adjustments of any general principle.

The deepest point on the Kolar field is in the Ooregum company's mine, and is nearly 9,000 feet vertically below the surface. Operations at considerably below this great depth are considered feasible and the immense amount of preliminary work necessary for this important new departure is now engaging the attention of the technical staff of the managing firm. The development of engineering technique, of which the evolution of efficient air conditioning plants may be cited as an example, makes it possible to engage upon mining operations which would not have been within the limits of practicability a decade or so ago, and it may well be therefore that when the 10,000 feet level has been reached, and is still showing sufficient gold in the formation, the management will be prepared for another attempt to take operations still further down, thus prolonging the life of the field indefinitely.

It always has to be remembered, of course, that however efficient the management mining is an occupation subject to the law of diminishing returns. Had not the operation of this law been postponed so effectively by the strong rise in the price of gold, it might well be, it is virtually certain indeed, that these new departures would not have been worth while, despite the advantages the Kolar field enjoys in a friendly and understanding Legislature and ample supplies of native labour, who by long association with the group have learned that they may expect a fair deal from the companies.

The results of the Champion Reef Mine were reviewed in our issue of April 6. We give below particulars of the 1939 operations of the other members of the group.

Nundydroog Mines.

Nundydroog, which since 1934 has included in its undertaking the property worked by the former Balghat company, last year dropped its tonnage from 257,158 to 242,600, and including 5,353 oz. obtained from the treating of accumulated tailings, secured a total production of 92,624 fine oz. against 99,751 oz. in 1938. Meanwhile, however, the price of gold had risen further from 142s. 2¾d. to 154s. 9d. per oz. so that proceeds have increased from £710,250 to £717,510 despite the smaller quantity. Working costs at £409,147 against £428,688 declined almost in keeping with the reduced amount of ore mined. Actually they were 2¾d. higher at 23s. 7d. per ton excluding development. Development costs were 7½d. up at 7s. 11½d. per ton. The net profit after paying total royalties of £57,099 was £255,167 as compared with £225,607, but as there is a much increased taxation account of £80,685 and the directors wish to add £30,000 (against £10,000) to general reserve, besides other reservations and debits, the two dividends for the past year add up to 42½ per cent. against 47½ per cent. The average assay value of ore milled last year was 7.31 dwt. per ton following 7.46 dwt. in 1938. In 1937 it had been 8.65 dwt. and it is therefore not surprising that the past year's dividends are 22½ per cent. less than they were then. At 516,593 tons averaging 11.19 dwt. per ton, the ore reserves at December 31 last showed a decrease of 29,741 tons but the grade was .09 dwt. higher than a year before. Probable tonnage of low grade is some 50,000 higher at 233,938 tons. Two years' work for the mill is an adequate reserve for mines of this kind, especially as a substantial part of the ore hoisted (actually more than half) does not come out of the reserves. Work on this mine has not yet been taken down so deeply as on some of the others, but as its lowest point is nearly 7,000 feet below the surface, this is only a relative distinction.

Mysore Gold Mining Co.

This company, on whose mine development work is now proceeding on the 92nd level, returns most satisfactory and encouraging results for 1939. With the further increase in the price of gold as indicated above and the ore readily available for stoping, the directors have authorised an increase in the amount of lower grade material to be treated with the result that 236,617 tons have been milled averaging 8.55 dwt. per ton as compared with 208,186 tons averaging 9.7 dwt. Although the gold recovery was 99,127 oz. as compared with 99,773 oz. the proceeds rose from £710,132 to £768,138. Total working costs rose only by £6,543 and per ton showed the sweeping reduction 3s. 0½d. in averaging 26s. 11d. excluding development. After royalty payments to the Mysore Government the net profit is £328,967 against £283,142. However, as £102,000 has to be reserved for taxation, including E.P.T., as compared with £61,000, and the amounts written off are £7,000 higher at £54,000, the directors retain dividend payments at the 27½ per cent. rate regularly paid since 1935. The sum absorbed is £167,750. Capital expenditure amounted to £42,040. Ore reserves at December 31, apart from a probable 288,000 tons of low grade, amounted to 459,000 tons of an average value of 10.8 dwt. which was 6,000 tons up on the year, though grade fell by .6 dwt.

Ooregum Gold Mining Co.

Milling 161,442 tons last year, the Ooregum Gold Mining Co. of India, like Champion Reef, is a smaller member of the group, but unlike Champion Reef it has not derived exceptional benefit from expansion of the tonnages treated during recent years. Nevertheless it has derived some benefit for last year's gold recovery at 53,835 oz. was the highest since 1929, with 63,083 oz., saw the close of a prolonged period of sustained prosperity which had included some years with gold returns in excess of 100,000 oz. Development work does not promise any return to the yields of former years, but as the mine is now efficiently air conditioned and costs last year (averaging 27s. 2d. per ton excluding development) showed a slight reduction there seem to be no obstacles to prevent the workings being taken further down with the chance of renewed enrichment in the ore formation. Meantime with the higher price of gold, and the quantity dealt with 2,534 oz. greater, the proceeds of bullion sales rose from £364,826 in 1938 to £416,615 last year and the net profit at £103,827 showed the very encouraging increase of £47,084. Raised by 7½ per cent. in each case to 12½ and 22½ per cent. respectively dividends on the ordinary and preference capital absorb £57,097. Taxation reserves require £25,000 of the remaining profit and £18,000 goes in the writing down of buildings and plant. While as already indicated, development has revealed nothing of any great excitement, it has permitted the blocking out of considerable areas of payable ore and reserves at 304,698 tons are 44,352 tons more than they were at the close of 1938 with grade only fractionally lower at 10.08 dwt.

Ceylon Amalgamated Tea and Rubber Estates.—The directors announce that arrears of debenture stock interest in respect of the half-year ended March 30, 1939, together with accrued interest thereon at 6 per cent. as from the due date of payment to April 30, 1940, will be paid on April 30, 1940.

Century Fixed Trust.—Midland Bank Executor and Trustee Company Limited announces that the ninth distribution upon sub-units of Century Fixed Trust Certificates, representing the period from September 16, 1939, to March 15, 1940, will be paid to sub-unit holders registered as at March 15, 1940, at the rate of 3.5d. net per sub-unit, on the due date, May 1, 1940.

406 Champion Reef

Not unnaturally the Hon. A. T. J. Fraser, who presided at the Champion Reef meeting, devoted considerable attention to the burden on the company of the new Mysore gold tax. Nor do his criticisms lose any of their force by reason of the fact that the position was fully reviewed by Sir Charles Innes at the recent Mysore Gold meeting. Certainly there is a good case for drastic modification of the tax. On the company's properties developments have been encouraging and large additions have been made to reserves.

COMPANY MEETINGS

OOREGUM GOLD MINING CO. OF INDIA

956

Increased Profit and Dividend

SATISFACTORY DEVELOPMENTS

Mysore Government Taxation Demands

The ordinary general meeting of the Ooregum Gold Mining Co. of India, Ltd., was held yesterday at Southern House, Cannon-street, E.C. The Hon. A. T. J. Fraser, D.S.O. (the chairman), presided.

The Assistant Secretary (Mr. C. A. Skilton) read the notice convening the meeting and the report of the auditors.

The Chairman said: I am glad to be able to tell you that the year's workings have resulted in a very gratifying increase in the annual profit, and that this has been reflected in an increased rate of dividend. The cause of this increase lies partly in a slightly higher grade of ore having been sent to the mill, and partly in increased price of gold. The development at the bottom of the mine has been satisfactory but in no way sensational, and it is extremely gratifying that an appreciable increase in the ore reserves can be reported.

The mill crushed 161,350 tons of ore for a recovery of 53,710 oz. of fine gold. The average grade of ore milled was 6.81 dwt. against 6.46 last year. The price realised per ounce was £7 14s. 9½d., almost exactly 12s. 6d. higher than last year. After deducting royalty and adding other small receipts the net income is £402,558. The working costs after adding nearly £3,000 for additional royalty amounted to £298,731. The profit, therefore, is £103,826, or an increase of £47,084.

The total at profit and loss account after adding last year's carry-forward and a small sum for dividends amounts to £115,974. Against that figure we have already paid out £30,400 as interim dividend, and we propose to allocate £8,000 to income-tax and £17,000 to E.P.T. and N.D.C. reserves, also £22,000 to writing off and other reserves.

This leaves a balance of £38,574, and the directors now recommend a final dividend for the year of 9d. per share on both Preference and Ordinary. This would leave £10,975 to be carried forward, a figure some £700 higher than last year. The dividend for the year would then amount to 2s. 3d. per share, or 22½ per cent. on Preference and 1s. 3d., or 12½ per cent., on Ordinary shares. The cost per ton shows a slight decrease at 27s. 2d., and this, I think, is the result of improved working conditions in the mine due to the air-conditioning plant installed in the previous year. The capital expenditure on buildings, machinery and plant amounts to the modest figure of £9,442.

Ore reserves now stand at 304,700 tons of an average grade of 10.08 dwt. This shows a gratifying increase of more than 44,000 tons, and the grade is to all intents and purposes the same. There is a further 83,000 tons of probable ore of low grade payable at the present price of gold.

DEVELOPMENT WORK

Development during the year has been [illegible] to improved air

as much ore as possible from low-grade stopes which under ordinary conditions would be unpayable. It is this policy which for the last few years has enabled us gradually to bring the mine into a condition which gives us some confidence as to the future. By thus, so to speak, skimming the cream off the price of gold, the Mysore Government have prevented us carrying on this process still further, thus shortening the ultimate life of the mine; in this they are acting not only to the detriment of shareholders, but still more to their own. I assert with confidence that from their own point of view it is a short-sighted policy.

Another aspect of this tax is one which we can only view with great dislike. One of the indirect effects of it is to reduce the amount of money which would otherwise fall to the British Government's share. This is specially so in the case of Ooregum mine.

I cannot sit down without asking you to join your board in thanking all those in every department of the mine who have given us such loyal and successful service during the year.

The Chairman concluded by moving the adoption of the report and accounts.

Mr. Edgar Taylor seconded the motion.

MR. SYDNEY TAYLOR'S ADDRESS

Mr. Sydney E. Taylor, D.S.C., said: It is pleasing to be able to report an improvement not only in the general position in the mine, but also in the production and profits. While the rise in the price of gold was largely responsible for the higher profit the increase of 2,534 oz. in the year's production also played an important part, and in this connection it is interesting to note that the returns for the first three months of the current year show a further expansion of the output. Development work is proceeding at a higher rate than for very many years past; the total footage accomplished in 1939 was 15,348 ft., compared with 13,079 ft. in the previous year.

In the southern section of the property the Central ore shoot was developed at the 88th, 89th and 90th levels. At the 88th level this ore shoot was 567 ft. long, the quartz averaging 17 in. in width and assaying 29 pennyweight per ton, which results are very similar to those obtained in the level above. Below the 88th level the productivity of this ore shoot began to fall off. At the 89th level there were only three short lengths of payable ore, aggregating 145 ft. with an average width of 18 in. and assaying 26 dwt. per ton.

At the 90th level the reef is narrow and low-grade except for a length of 70 ft. averaging 18 in. wide and assaying 20 dwt. per ton. Pegmatite was found to intrude into the lode channel in two places at this level and also in one of the winzes below the 89th level. Since the close of the year two winzes have been sunk to the 91st level, and driving on the reef at this horizon has commenced, but to date no values have been found.

The rapid falling off in the value of the Central ore shoot is disappointing, but that

I have said, satisfactory, but not sensational.

Results on Main lode in the auxiliary section at the 89th and 90th levels are distinctly poorer than the levels above. This ore shoot has always been of an erratic and patchy nature, and although some very high values have sometimes been got, the widths have always been small. Still, it has for some years produced a lot of good ore, and will, I hope, continue to do so.

Developments on the West Reef, which for some years now has been our principal standby, are very encouraging, and show a very distinct increase in length towards the north in the levels recently opened up.

Bullen's area still remains rather tantalising. The pegmatite previously associated with the ore channel here has at the last two levels almost disappeared. In the bottom level the ore channel is more definite, and quartz, though narrow, is more continuous; gold values though occasionally good are erratic, and so far no stoping ground has been opened up. One can only say of this formerly most productive section of the mine that it is now improving with depth, and that judging from experience on other parts of the Kolar Field the reef here may at any time become definitely productive.

TAXATION BURDENS

It is indeed unfortunate, in more ways than one, that the revival in the fortunes and increase in the dividend earning capacity of your mine should have coincided with the difficult financial times which we are now going through. At the present time it is difficult to forecast what the effects of these will be on the future dividends of your company. Let me give you some of the main factors.

On the 22nd of March this year the company became liable for the full increased toll exacted by the Mysore Government in the new lease, the terms of which were negotiated some six years ago, but which only come into full force on the date mentioned. Secondly, on that date the same Government elected to appropriate to themselves three-quarters of the amount by which the value of an ounce of gold exceeded 150s., this with gold at 168s. equals 13s. 6d. per ounce. Thirdly, our agreement with the Government for power from their hydro-electric plant expires at the end of this year, and Mr. Kenneth Taylor, just returned from India, has been negotiating the new agreement. He informs us that the Mysore Government is asking for an increased price per unit which we consider unjustifiable. So much for the demands of Mysore State.

As regards our own Government's demands, while they are grievous and heavy we at least feel that they are fully justified and that we must just grin and bear it. You will see that in the accounts for the year under review, allowance for income-tax is £8,000, and E.P.T. and N.D.C. £17,000. This is, of course, in addition to the income-tax directly paid by you shareholders as set out in your dividend warrants. Last year the relative figures were £8,000 and £1,300 respectively. In the current year these figures will not be less than for 1939, and may be considerably more.

AN ARBITRARY ACT

The demands of the Mysore Government, we feel, are by no means so easy to bear with equanimity. When we consider the enormous benefits which, over a period of fifty years, they have received both directly in revenue and indirectly in employment for their workmen, traders and cultivators from the Kolar Gold Field, we must come to the conclusion that the direct appropriation of some 13s. 6d. for every ounce of gold won, while gold stands at its present figure, is an arbitrary act which is very difficult to justify. It is the more unfortunate in the case of Ooregum, because this mine has, as you all know, just come through a very lean period. For some years Ordinary shareholders have had to be content with a meagre 3d. and 6d. as dividend, and even that dividend has only been made possible by the most careful husbanding of resources.

Our policy has always been, while the price of gold is high, to send to the mill erratic distribution of the gold values has always been a feature of this reef. Below the 82nd level a somewhat similar impoverishment occurred and a large part of the 84th level was quite unproductive. However, good values reappeared to the north and to the south and soon formed the valuable ore shoot which extends from the 85th to the 89th level. Exploratory development of the Central ore shoot in depth proceeds apace to search for a new make of payable ore, and we can rely on the staff at the mine devoting their utmost zeal in this endeavour.

Turning now to the West reef, last year's work opened up the full length of the ore shoot at the 88th and 89th levels, a good part of the 90th level was also driven, and the 91st level had just been reached at the close of the year. Commencing at the 86th level there is an extension of the values to the northward, and by the 88th level this extension had added considerably to the length of the ore shoot, and for the first time its northern edge was found on the north side of the large dyke.

To sum up the position, in the southern section we have encountered an impoverishment of the Central ore shoot, but have every hope of finding a remake of values. The West reef continues to be highly productive, and the northward extension of values is an encouraging feature. In Bullen's section the reef, though narrow, is well defined and the low values are improving. The prospects in this section are at present better than they have been for some years past, but they have not yet improved to the point of adding new supplies of stoping ore. The ore reserves show an increase of 44,352 tons and are now estimated at 204,698 tons of an average grade of 10.08 dwt. per ton. This is more than double what the reserves were six years ago. The large increase in 1939 was due to the rapidity with which the ground was opened up and the comparatively small part of the output that was drawn from the payable ore reserves. This was made possible by continuing to mine as much as possible from stopes on low-grade ore and in reclamation areas.

BENEFIT OF AIR-CONDITIONING PLANT

The air-conditioning plant which, as you heard last year, commenced to supply cool, dry air to the mine in August, 1938, has continued to operate very satisfactorily. It is now possible to appreciate more fully the striking benefits of air-conditioning in the mine. The improvement in the general efficiency of the underground labour has enabled them to do more work and earn more pay, the speeding up of development work and stoping has been achieved with fewer men, and important savings in cost have been realised. There has been a substantial decrease in trivial accidents and the supervisory staff and officials can work longer hours in the mine with less fatigue. The big increase in the ore reserves is the direct result of the faster rate of development that is now possible. Undoubtedly the greatest economic benefit of air-conditioning is the lengthening of the life of the mine, for it makes it possible to contemplate mining operations at depths far greater than we have yet reached.

A NEW MAIN WINZE

Bullen's incline reached its final depth at the 88th level and a new main winze will be required to carry the mine down below this level. An electric hoist has been ordered and preparations for sinking the main winze and cutting the engine chamber are well advanced. Although there was little change in the tonnage crushed in the mill, the total ore hoisted from the mine was some 8,500 tons more than in the previous year, most of this being added to the reserve dump of ore on surface. It is very satisfactory to find that including the cost of breaking and hoisting this extra tonnage and the increased development footage as well as a larger amount of support work the total mine costs were practically unaltered. I think you will agree that the results of the year's working have been very satisfactory and I feel that we can look to the future with confidence. We have on the mine an excellent staff who work with much zeal

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under the able guidance of the superintendent, Mr. G. B. White. I would like, in concluding my remarks, to express to Mr. White and his staff the appreciation of my firm for their untiring efforts, and to congratulate them on the achievement of such excellent results.

The report and accounts were unanimously adopted, and the dividends as recommended were approved.

The retiring directors and auditors were re-elected, and a special resolution was agreed to sanctioning the appointment of alternate directors.

CHAMPION REEF GOLD

The Hon. A. T. J. Fraser was justified yesterday in describing the past year's operations on the property of the Champion Reef Gold Mines of India as thoroughly satisfactory. His speech and that of Mr. S. E. Taylor at the meeting showed that both the exploitation and development of the mine had continued well up to expectations; but on a point of taxation those concerned with the company have a distinct grievance. Increased British taxation is recognised as necessary in the prevailing circumstances. That of the Mysore Government is in a different category.

Terms of the new lease of the mines already agreed and of the new power contract which will have to be arranged shortly are and will be more favourable to the Mysore Government than before. On top of this the Government is expropriating 75 per cent. of the amount by which the price of gold exceeds 150s per ounce. This impost the Chairman considers unjustifiable, and rightly so since it is wrong in principle. It is a tax on receipts, not on profits, which with the factor of rising costs it completely fails to recognise.

COMPANY MEETING

CHAMPION REEF GOLD MINES OF INDIA

906

A Satisfactory Year's Operations

ENCOURAGING DEVELOPMENTS

The Burdens of Indian Gold-Taxation

THE HON. A. T. J. FRASER'S SPEECH

The ordinary general meeting of the Champion Reef Gold Mines of India, Ltd., was held yesterday, at Southern House, Cannon-street, E.C., the Hon A. T. J. Fraser, D.S.O., the chairman of the company, presiding.

The Secretary (Mr. F. H. Williams, F.C.I.S.) having head the notice convening the meeting and the report of the auditors,

The Chairman said: Ladies and gentlemen, the year's operations on your mine have been thoroughly satisfactory. Both the exploitation and the development of your property have come up to the high level which for the last few years we have come to expect. The only flies in the ointment are the incidence of higher taxation, at which we cannot grumble, and the arbitrary action of the Mysore Government in increasing the already large toll that they take from the Kolar Gold industry. I will refer more specifically to this matter in a few minutes.

During the year ended December 31st, 1939, the mine produced 69,058 ounces of fine gold from 161,220 tons crushed. The realised value of the gold amounted to £534,795, and after deducting £26,632 for royalty and adding £6,073 for other receipts the total income is £514,236.

Working costs at £297,500 and additional royalty bring total expenditure to £314,480, leaving a profit for the year of £199,755, which is £9,200 more than last year.

After adding last year's balance we have a credit at profit and loss of £215,798. From this figure we have to take £58,000 odd for the interim dividend already paid, £42,000 income-tax reserve, £7,000 for N.D.C., and £20,000 for writings off and reserves. The residual figure available was £88,785, and after paying a final dividend of 22½ per cent. the carry-forward amounts to £14,198, almost identical with last year's figures.

The total dividend for the year is 40 per cent. or 4s. per unit, the same as for 1938.

Ore Reserves.—Ore reserves stood at December 31st, 1939, at 543,323 tons, averaging 10.88 dwt. This shows an increase of 12,000 tons, but a decrease of a quarter of a pennyweight in average grade over last year.

This may be considered as eminently satisfactory in view of the fact that a smaller amount of development has been done on the high grade Glen's ore shoot than usual.

AIR CONDITIONING

You may remember that this time last year I informed you that in view of the great success of the air conditioning plant installed at Ooregum, it was our intention to put in a similar plant on your mine. I think I told you then that Champion Reef had always been a rather better ventilated mine than Ooregum, and that in rate to long-established customers who had no possibility of looking elsewhere for an alternative supply, and this when the only apparent reason is to obtain more profit on an investment that already yields a reasonable return.

AN UNJUSTIFIABLE LEVY

But the expropriation of 75 per cent. of the amount by which the price of gold exceeds 150s. per ounce is the action which we consider the most unjustifiable. It is true that other countries have taken similar measures, but in these cases it was quite definitely as a war tax, and in the case of the South African Government they have realised the unfairness of it and have substituted a profits tax. I have already said that as regards British taxation, burdensome though it may be, we have no valid objection. The Mysore Government would in any case take a very considerable proportion of the extra value and profit represented by the 13s. 6d. per ounce which they are now swallowing wholesale. Then, again, no allowance is being made for the serious rise, caused by the war, which has already taken place in stores and material.

Moreover, the policy which we had progressively hoped to pursue of milling lower-grade ore as the price of gold rose has been hindered, thereby eventually shortening the life of the mine, to the detriment of stockholders, and the still greater ultimate loss, direct and indirect, of the Mysore Government. Finally, this action of the Mysore State will have the effect, less in the case of Champion Reef than some of the other mines, of reducing the amount paid in taxation to the British Government, a state of affairs which we cannot visualise with anything but the greatest dislike.

In his speech last week to the Mysore Mine stockholders, Sir Charles Innes spoke at considerable length and much more ably [illegible] stockholders who have not already heard or read his speech to obtain a copy of it, I can certainly say that your board heartily endorse every word which he then said.

THE SPECIAL BUSINESS

You will have read in the notice of this meeting that a special resolution will be proposed to enable the board to appoint alternate directors. We find that if one of our directors is in India and another is sick or absent from any cause the board may be unduly weakened; as no payment is involved we shall ask you to agree to this measure.

I cannot sit down without asking you to join with the directors and managers in thanking our superintendent, Mr. Henry White, and our staff and all our employees, including the field staff of the electrical and medical departments for the excellent ser-

so far conditions in your mine ... not been too bad. Well, last hot season was a particularly severe one on the field, and there is no doubt that work at the bottom of the mine, especially at the south end, could only be carried out under conditions which, to say the least of it, were difficult. It was for this reason that development of Glen's ore shoot was very considerably curtailed, many working faces being closed down for the hottest period of the year.

Your managers had hoped that the air cooling plant might have been in operation by early May this year, before the worst of the hot season came on. However, the delays necessitated by war conditions since early September made this impossible, and the present estimated date of early July may be considered satisfactory. Last year the most trying conditions ocurred during July, August and September, so we can hope that this year that trying period may be obviated. If the same success is achieved on Champion Reef as was the case in Ooregum, we shall find a really great improvement in working conditions, which will be at once reflected in general comfort and contentment for the labour force, increased pace and facility in development and an all-round decrease in costs, and rise in general efficiency.

I will leave to Mr. Sydney Taylor the task of giving you the details of the year's development, and will merely state that the year's work in the bottom of the mine is most encouraging; Glen's ore shoot, at present our main asset, appears to maintain the value it has given for the last two levels. The northern folds show a definite improvement during the year's development, and the prospects of a new shoot further south than Glen's, as opened up at the 82nd, are certainly interesting, not to say promising.

THE TAX BURDEN

To return to the subject of taxes and other imposts. This year we had to put aside from our profits £49,000 towards income-tax and N.D.C. reserves. Last year the figure was some £10,000 less. With no increase in taxation and a similar mine profit the figure for the current year may be in the neighbourhood of £55,000. Large though these sums undoubtedly are (and, of course, they are all in addition to the 3s. 11d. or so automatically deducted from every £1 from our stockholders' dividends), still I consider that we have no cause to grumble when we think of the vast sums required by the Treasury and the country to carry on the war.

It is when we come to the exactions made by the Mysore Government that your board consider that you, our stockholders, have a distinct grievance. You will remember that some six years ago negotiations with the Mysore Government were entered into, and after much discussion the terms of the new lease of the mines were agreed upon.

The old lease expired on March 22nd, 1940; during the period between the date of the fixing of the agreement and the expiry of the old lease a certain rise in the share received by the Mysore Government was agreed to by us. The full rise only took place as from March 22nd, 1940. That we cannot take exception to; it was a freely negotiated deal.

As regards power supply, our present contract terminates this year. In the coming six months a new agreement has to be fixed between us as to the price of power used by us and supplied by the Cauvery Falls Power Station owned and operated by the Mysore State. Mr. Kenneth Taylor, who has just returned from India, was busy with these negotiations during his visit, and he reports that the price per unit which the Government have asked for is a considerable increase on what it costs us to-day.

In this country we look to a public supplier, and especially a Government concern, as a public utility company which should be content with a reasonable return on its capital. One can imagine the uproar in this country at the sudden increase

vices which they have rendered during the year.

The Chairman concluded by moving the adoption of the report and accounts, which was seconded by Sir George S. Barnes K.C.B., K.C.S.I.

MR. S. E. TAYLOR'S STATEMENT

Mr. Sydney E. Taylor, in dealing with the position on the mine, said that last year he had expressed the hope that the scheme for carrying the mine to greater depths would be in operation within the original estimate of four years from the time of commencement early in 1936. Unfortunately, the completion of the scheme had been held up owing to the delay in the delivery of certain parts of the new winding engine for Gifford shaft. Those parts had now reached the mine, and the erection of the winding engine was being proceeded with. The equipment of Gifford shaft to the 70th level had been completed, and the new electric hoist for south main winze had been erected at the 80th level, and was now in commission. The hoist for Heathcote shaft would be erected at the 70th level during the current year.

Consequent upon the delay in the completion of the scheme, the full benefit to the ventilation of the mine had not yet been obtained, and during the last hot season the conditions in the lower levels of the mine were very trying. The neighbouring Ooregum mine had obtained such beneficial results from the installation of an air-conditioning plant to cool the downcast air to the mine that it was decided to proceed immediately with a similar plant for that mine. The plant was being installed on surface at Gifford's shaft and would be capable of cooling the downcast air to 40 deg. F. It consisted of standard ammonia refrigerating machines supplying cold brine which was circulated through coils of pipes. The downcast air was drawn over those cold pipes and was thereby cooled and dried before it passed down the shaft into the mine. All the plant had now been shipped, most of it had reached the mine and was in course of erection, and it was hoped to bring it into operation within the next few months. All that important machinery had been shipped since the outbreak of hostilities and all the various shipments had arrived safely and promptly. For that they were indebted to the determination of the merchant service and the vigilance of the Royal Navy.

LARGE ADDITIONS TO RESERVES

To sum up the position, the development of the folded ore body in the northern section and Glen ore shoot in the southern section continued to yield satisfactory results. On the folds a large tonnage of ore of over 6 dwt. grade had been added to the ore reserves during the year, and there was undoubtedly a further large tonnage of ore of somewhat lower grade that could not be estimated sufficiently closely to be brought into reserves but which would be mined and go to the mill. The productive length of Glen ore shoot was somewhat less than it had been two or three years ago, but it continued to be a most important ore body.

In the upper levels of the mine the work of reopening Ribblesdale's and Glen's primary shafts had been actively continued to improve the upcast ventilation circuit, and that work had also disclosed additional ore.

Support of ground continued to be a feature of the utmost importance. During the year over 43,000 tons of granite had been lowered into the mine for the purpose of supporting the workings, while the practice of supporting the levels with steel sets had been actively continued. The efficacy of those methods of support had again been exhibited, and though several heavy rockbursts had occurred the stopes and levels supported in that manner had sustained only a small amount of damage.

The working costs in 1939 had been 2s. 7½d. per ton higher than in 1938; that was due in part to more work being done in

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supporting the ground in the stopes on the folds in the northern section consequent upon the expansion of work in that section, and in part due to the trying conditions experienced in the hot weather which impaired efficiency and increased the cost of ventilation.

The large amount of new machinery that had been and still was being erected had thrown a heavy burden on the engineering department, but the work proceeded smoothly and was being carried out with skill and efficiency.

The underground staff and workers had been through a particularly trying period last year, but that was not allowed to interfere with the steady progress of operations. They had every confidence that the conditions in the mine would be greatly improved as soon as the air conditioning plant was in operation.

The report and accounts were unanimously adopted, the retiring director, Mr. Edgar Taylor, was re-elected, and Messrs. Cooper Brothers and Co. were reappointed auditors.

The proposed alteration in the articles of association with regard to the appointment of alternate directors was unanimously approved, and a vote of thanks to the chairman and directors closed the meeting.

THE MYSORE MEETING.

NEW INDIAN GOLD TAX.

In his address at the annual meeting of the Mysore Gold Mining Company on Wednesday, Sir Charles Innes, the chairman, had a good deal to say regarding the decision of the Mysore Government to expropriate, as from 22nd March last (when the new leases came into force), 75 per cent. of the proceeds of the sale of gold over a price of Rs. 100 (say, 150s.) per fine oz. The original intention of the Government was to take the whole of the proceeds in excess of that figure, but in view of the objections expressed with some force by Mr. Kenneth Taylor, who has recently returned from a visit to Mysore, it was ultimately decided to expropriate—perhaps "confiscate" would be a better term—75 per cent. This, we are sorry to note, is a radical departure from the policy previously pursued by that enlightened Government. Formerly their attitude towards the gold mining industry was one of sympathetic consideration and helpfulness, the authorities recognising the value of the industry, not only as a substantial contributor to the revenues of the State, but also as a large employer of labour and a distributor of wealth. If the present policy is indicative of a change in the cordial relations that have hitherto existed between the industry and the Government, it is a matter for extreme regret, particularly as it happened to come at a time when mining at still greater depths is being undertaken, with the very large capital outlay that such operations always involve.

Sir Charles Innes, in his outspoken criticism of the new tax, put the case of the mining industry, we think, in an extremely moderate and dispassionate manner, and we venture to hope that his forceful arguments will be considered by the Government of His Highness, the Maharajah of Mysore and that the matter will be further reviewed in the light of evidence as to the effect this new imposition is likely to have on an industry which can certainly claim to deserve fair and even generous treatment at the hands of the State.

Owing entirely to the increase in the price of gold, the Mysore Company was able last year to show an increase of £48,120 in its profit, and the fact that it was unable to increase its dividend, was due to larger provision having to be made for income tax and excess profits tax. Nearly the whole of the increased profit was swallowed up by extra British taxation. But this is not what Sir Charles complains of; he realises how great is our national expenditure under war conditions and the British Government's urgent need for additional sources of taxation, and therefore does not grudge them the money. There is, however, this important difference between the taxation imposed by the British Government and the new tax which the Mysore Government is levying, namely, that the former is on profits while the latter is on gross receipts. Sir Charles rightly considers that a tax on receipts is open to obvious objection, and he pointed out how particularly unfair it is to the Mysore Co. The policy of the board is to take advantage of the high price of gold by treating a lower grade of ore, thus conserving the reserves of high-grade ore and prolonging the life of the mine. This involves the treatment of a larger tonnage and, of course, means higher costs. The new tax, however, altogether ignores the profit factor; it appropriates the same fraction of the gold price whether the gold is won from low-grade or high-grade ore. Moreover, as the chairman stated, gold is not the only commodity the price of which has risen owing to the war. The prices of all the materials, machinery, spares and stores of various kinds used in the mines are increasing, and will continue to increase as war conditions are prolonged. Working costs, under these circumstances, must tend to advance—another factor which has apparently been overlooked by the Mysore Government.

But the tax is not only objectionable in principle; Sir Charles pointed out how it may also be injurious in operation. For instance, he said that the company may have to consider very carefully the effect of it on their policy of treating ore of lower grade. A change of policy in that respect would be the reverse of beneficial alike to the State, the industry and the investor. Although the Mysore Government has announced that the new tax is an emergency measure, it has not, so far, stated the precise nature of the emergency. On this point Sir Charles remarked: "As far as I am aware, the Government has not been put to any appreciable increase of military expenditure by the war, and if the tax has been imposed merely as a convenient way of raising additional revenue to meet the rising cost of administration, I do not think that that is sufficient justification for a tax which offends against the ordinary principles of taxation."

The Mysore Co. alone paid to the Government of Mysore last year more than £98,000 in royalty, additional royalty and income tax. Now, everyone knows that gold mining is a speculative business, the investor taking all the risk, and the very remarkable success that has attended mining operations on the Kolar goldfield of Mysore has been due in no small measure to the skill, determination and far-sightedness of the men who have been and are still responsible for its management and direction. That the field still has potentialities is clear from the fact that, although great depths have now been reached, there is no evidence that values diminish as the workings get deeper. The industry will do its part to keep the mines going over a long period. It is for the Mysore Government to do its part, to give heed to the protests that have come from responsible quarters, and afford the industry all the help within its power.

INDIAN GOLD SHARES

The Mysore annual meeting was particularly interesting in that it afforded the first official comment on the effects of the Mysore Government's recent appropriation of three-quarters of the gold proceeds of the Kolar mines above 150s an ounce. Sir Charles Innes vigorously attacked the inequitable nature of this levy on revenue as distinct from profits. All this has been thrashed out in connection with a similar impost on the Rand gold mines—an impost which was rescinded, the South African Government realising that it was an undue burden on the older mines working at considerable depths. This description, needless to say, applies to the Indian concerns.

From a purely monetary viewpoint, Sir Charles indicated that the burdens of the new tax will be offset to a great extent by reductions in the liability for additional lease royalties and for income-tax and E.P.T. The impression gathered is that cuts must be expected in Indian gold-mining dividends, especially as increased expense on air-cooling is being incurred, but, at the reduced share prices, yields (with the help of a modicum of Dominion tax relief) should remain satisfactory enough for mixing purposes.

MYSORE GOLD TAX.

The effect which the new gold tax is likely to have on the profits of the mining companies was dealt with by Sir Charles Innes at the meeting of the Mysore Gold Mining Co. on Wednesday. He gave an illustration of how the Mysore Co. in particular would be affected on the basis of last year's operating results. With a production of 99,127 oz. of gold and a realised average price of 166s. an ounce, the gross receipts would be £822,755, and the 5 per cent. royalty would amount to £41,138. Under the new tax the Mysore Government would first take £59,475, being 75 per cent. of the excess price over Rs. 100 per oz., and then 5 per cent. on the balance of the sale proceeds, amounting to £38,164, making altogether £97,639, or £56,501 more than the company would be required to pay by way of royalty on such proceeds under its mining leases. In other words, the new tax raises the rate of royalty on those figures from 5 per cent. to nearly 12 per cent. The position, however, is not as bad as it looks, for the burden of the new tax, Sir Charles said, would be offset to a great extent by reductions in the additional royalty payable to the Mysore Government and in the provision to be made for income tax and excess profits tax.

MINING POLICY MAY BE AFFECTED.

With the increasing price of gold it has been the policy of the management to mine and mill a larger quantity of low-grade ore with a view to conserving the high-grade reserves and thus prolonging the life of the mine—a prudent course to adopt and one that must obviously be beneficial to all concerned. The new tax may, however, lead to some modification of this very sound policy. We hope not, because in recent years it has led to the exploration of large areas previously undeveloped, and to the discovery of folds of reef which have been an interesting feature of the Kolar mines from the commencement. Great importance is, therefore, attached to the work now going on upon folds in the upper levels. Although it is not expected that the folds now being developed, or those that may yet be discovered, will be of such magnitude as those worked in the early days, it is regarded as almost certain that they will provide large tonnages of ore as they are followed upwards and downwards. In this connection it is to be hoped that Mr. Kenneth Taylor's words at the annual meeting will not pass unheeded by the Mysore Government. "I cannot deplore too strongly," he said, "any method of taxation such as the Government of His Highness the Maharajah of Mysore have now imposed, which must put a brake on this aspect of development."

Mysore Mine and the New Gold Tax 106

For the reasons mentioned in our last week's article dealing with the Indian gold mines' results and prospects, the chairman's speech at the meeting of the Mysore Gold Mining Company on Wednesday was more than usually interesting. Sir Charles A. Innes, who presided, discussed the great increase in taxation, the new gold duty imposed by the Mysore Government, and the effect of the full-scale royalty on dividends or "adjusted profits" that is now in force; and he also mentioned another factor, viz., the new contract for the supply of electric power which is being negotiated. At present there is a gap between the price the mining companies think they ought to pay and the price the Mysore Government desires to charge.

Referring to the new gold duty of three-quarters of the gold price above 150s. per oz., Sir Charles Innes contended that this is not only objectionable in principle, but it may also be injurious in operation, and the company will, he said, have to consider very carefully the effect of it on their policy of expanding still further the mining of low grade ore.

In order to give an idea of how the new gold duty is likely to affect stockholders' interests, the Mysoré board has had careful calculations made, and the chairman cited figures based on last year's output of gold and an average price of 166s. per oz. The effect of the new tax, he said, would be that the Mysore Government would first take £39,475 and then 5% of the balance, making £97,639 altogether, or £56,601 more than the company is required by its mining leases to pay by way of royalty on the proceeds of the sale of gold. In effect, the new gold duty raises the rate of royalty, on these figures, from 5% to nearly 12%. As they proceed, however, the calculations become more reassuring. They show that the burden of the new gold duty will be offset to a great extent by reductions in the additional royalty payable to the Mysore Government and in the provision to be made for income tax and E.P.T. From the point of view of the company's stockholders the most important fact brought out by the calculations is that though the net profits will inevitably be affected by the new gold duty, they will not be affected nearly so seriously as at one time the directors feared. "The impact of the blow on this particular company," said the Mysore chairman, "has been softened by the fact that last year we became liable to Excess Profits Duty."

MYSORE GOLD

In submitting that there was no ground for complaint concerning the increase in British income-tax and the E.P.T., having regard to the circumstances in which they have been imposed, Sir Charles A. Innes at the meeting of Mysore Gold Mining Company was not disposed to apply the same considerations to the new taxation of the Mysore Government. The important difference is that the Mysore tax is not a tax on profit, but an expropriation of part of the gross receipts from gold—75 per cent. of the sale price in excess of Rs.100 per ounce. The principle is wrong. It fails to recognise both the profit and cost factors, which vary according to the grade of ore treated.

Sir Charles contends that the new tax may prove injurious in operation. It remains to be seen whether it will discourage an extension of the policy of developing and mining low grade ore, which the company has been pursuing successfully. The tax is heavy, although its effect on profits will be offset to a great extent by reductions in the additional royalty payable to the Mysore Government and in the provision to be made for income-tax and E.P.T.

COMPANY MEETING REPORTS

MYSORE GOLD MINING

INCREASED TONNAGE CRUSHED AND HIGHER WORKING PROFIT

DISTRIBUTION AFFECTED BY TAXATION

SIR C. INNES ON MYSORE GOVERNMENT'S NEW IMPOST

The sixtieth ordinary general meeting of the Mysore Gold Mining Company, Ltd., was held yesterday at Southern House, Cannon-street, E.C.

SIR CHARLES A. INNES, K.C.S.I., C.I.E. (chairman of the company), presided.

The Secretary (Mr. F. H. Williams, F.C.I.S.) read the notice convening the meeting and the report of the auditors.

The Chairman said: Ladies and gentlemen,—The accounts disclose what you will no doubt agree to be very satisfactory results. 236,617 tons of ore were crushed and treated in the year, this being 28,431 tons in excess of the 1938 figure. Indeed, it is the highest figure for 20 years. The average assay value of the ore milled was 8.55 dwts of gold per ton, and the amount of fine gold produced was 99,127 ozs, or 646 ozs less than in 1938.

You will note the reduction in the grade of ore milled. It is the result of our policy of taking advantage of the present high price of gold to mill a lower grade of ore in order to conserve as far as may be our resources of high-grade ore. You may have noticed from the January and February returns that we are developing this policy in the current year. On the other hand, the average price realised for the gold produced improved from £7 2s 2¾d per ounce to £7 14s 10¼d, and after deducting the 5 per cent, royalty on net sale proceeds payable to the Mysore Government, and making certain other adjustments, the total receipts were £735,365.

Working expenses at £387,359 were some £6,500 higher than in 1938, the increase being due mainly to the greater tonnage dealt with. We have also to provide £19,037 for additional royalty to the Mysore Government.

PROFIT, TAXATION AND DIVIDEND

Thus the working profit for the year was £328,967, and with the addition of the amount brought in and certain dividends the amount at credit of profit and loss is £341,820. This is no less than £48,129 in excess of last year's figure, and it is most disappointing that we have not been able to increase the final dividend by 3d to 2s 3d per unit of stock. But the British income-tax, as you know, has been increased from 5s 6d to 7s in the £, with effect from April last, and, as you are also aware, an Excess Profits Tax has been imposed by H.M. Government. We have had, therefore, to increase our provision for taxation from ~~£61,000 last year to £102,000~~, and this increase of £41,000 has swallowed up all but £7,000 of our extra profit.

I must confess, however, that I do not see that we have any real ground for complaint against this extra taxation on our profits. The increase in these profits is entirely due to the higher price of gold which again is due to the depreciation of sterling in terms of the dollar, which again is the direct result of the war. It is not surprising, therefore, that H.M Government have appropriated to themselves almost the whole of the increase in our profit, and considering the great increase of our national expenditure and the Government's urgent need for additional sources of taxation, I do not suppose that any stockholder will grudge them the money.

NEED FOR CONSERVING RESOURCES

In spite, however, of this additional taxation, we might have raised the dividend had we been prepared materially to cut down our provision for capital expenditure, but we decided against this course. The reasons which influenced our decision were partly the general reasons pointing to the need for conservative finance to which I referred in some detail last year. In present circumstances of course they carry even greater weight. We are engaged in a gigantic struggle, and no one can say what the future has in store for us.

At such a time the prudent course clearly is to conserve our resources. But apart from these general considerations, there are other considerations of a more particular character which we had to take into account. Some of them you know already. You know, for instance, that our leases expired on the 22nd March and that under the new leases rates of additional royalty payable on the dividend or "adjusted profit," whichever is higher, will come into force. That means that the rates will be increased by 50 per cent., since at present, as we informed you in a circular dated the 8th March, 1934, we pay two-thirds of the full rates. Again, the contract which the Kolar Gold Field Companies have with the Government of Mysore for the supply of electric power to the mines from the Cauvery Power Scheme expires at the end of the current year, and one of the principal objects of Mr. Kenneth Taylor's recent visit to the field was to conduct the negotiations for a new contract. The negotiations, as you can imagine, were very complicated, and the new contract has not yet been finally settled. As far as can be judged at present, in some respects it will not be unfavourable, but the most important point—namely, the rate to be charged per unit of power—is still outstanding, and there is still, I am afraid, a gap between the price which we think we ought to pay and the price which the Government of Mysore desires to charge.

It is clearly wrong that the gold-mining industry should be charged more for power merely to increase the revenue of the Mysore Government. In my view such an increase can be justified only if it can be shown that the Cauvery Power Scheme does not yield an adequate return on the capital invested in it, and I have no reason to believe that it does not already yield a handsome return. In any case I have no doubt that this is the true criterion to apply, and I hope that the Mysore Government on further consideration will moderate its demands.

MYSORE GOVERNMENT'S NEW TAXATION

As was recently announced in the public Press, the Government of Mysore have also given notice that they have decided to follow the example originally set up by the Government of the Union of South Africa. You no doubt know that just before the war broke out the price of gold began to rise, and the Union Government announced that they would appropriate to themselves the whole of the receipts of the South African gold-mining companies from the sale of gold in excess of 150s an ounce. The original intention of the Mysore Government, as communicated personally to Mr. Taylor, was to do the same, but in view of the objections pointed out by him with great force they finally decided to content themselves with [illegible] with effect from 22nd March last, three-quarters of our receipts from the sale of gold in excess of Rs.100 per ounce.

Now I have just told you that the additional income-tax and the Excess Profits Tax imposed by the British Government after the outbreak of war swallowed up nearly the whole of the additional profit we made in 1939, and I said further that I did not think that the stockholders had any real cause for complaint, since our additional profit was entirely due to the higher price of gold, which again was the direct result of the war.

WRONG IN PRINCIPLE

At first sight it might appear that the same considerations apply in respect of the Mysore Government's proposal, but this is not so. There is an important difference in that this new tax is not a tax on profit. It is an expropriation of part of our gross receipts from the sale of gold. A tax of this nature is open to obvious objection, and it is particularly unfair to this company. I have just told you that our present policy is to take advantage of the high price of gold to mill a lower grade of ore in order to conserve our stocks of high-grade ore and thus prolong the life of the mine. Clearly, however, it is not so profitable to mill low-grade ore as high-grade ore. In order to obtain a given quantity of gold you have to extract, transport to the surface and mill a greater tonnage of ore. That means more labour cost and higher expenses. But the new tax takes no account of the profit factor or of increased costs. The tax, indeed, is entirely wrong in principle, and the Government of the Union of South Africa have now recognised the objections to it and have substituted a tax on profits for their original proposal.

INJURIOUS IN OPERATION

If, for instance, we take an imaginary year and assume that in that year we produced, as in 1939, 99,127 ozs of gold, and that the average price realised for that gold was £8 6s per ounce, then the gross receipts from the sale of that gold would be £822,755. The 5 per cent. royalty due on this sum is £41,138. But the effect of the new tax is that the Mysore Government would first take £59,475, being three-quarters of the excess price over Rs.100 per ounce, and then 5 per cent. on the balance of the sale proceeds amounting to £38,164.

In other words, it would levy a tax on the sale proceeds of £97,639, or £56,501 more than we are required by our mining leases to pay by way of royalty on these proceeds. In effect, that is, the new tax raises the rate of royalty, on these figures, from 5 per cent. to nearly 12 per cent.

MITIGATING FACTORS

That is a big increase, but as they proceed the calculations become more reassuring. They show, for instance, that the burden of the new tax will be offset to a great extent by reductions in the additional royalty payable to the Mysore Government and in the provision to be made for income-tax and Excess Profits Tax. Indeed, it appears that the new tax will operate much more to the disadvantage of the British Government than that of the company. I doubt whether the Mysore Government realised this fact when it imposed the tax. This, however, is by way of parenthesis.

From your point of view the most important fact brought out by the calculations is that though the net profits of the company will inevitably be affected by the new tax, they will not be affected nearly so seriously as at one time we feared. The impact of the blow on this particular company has been softened by the fact that last year we became liable to Excess Profits Duty.

I am afraid that I have made some outspoken criticism of the new tax, and I much regret that I have been compelled to do so, especially in view of the generally cordial relations existing between H.H. Government and the gold mining companies at Kolar, but it is only right that I should give the stockholders of the company a frank exposition of the case as it is viewed by the directors.

We have had a report from Mr. Pryor who visited the field last summer, as well as from Mr. Taylor, and I am glad to say that both reports were eminently satisfactory. Encouraging results have been obtained in the deep levels, but probably the most important feature of the year's work has been the development in the upper levels and the reclamation of low grade blocks and of ore isolated by previous rockbursts.

Work in these areas demands great care and a high degree of skill, and it is a tribute to our superintendent, Mr. C. B. Taylor, and his staff that they have been so successful. It is also expensive, as I have already told you, but the importance of it lies in the fact that if we are able to carry it on with continued success it should have the effect of prolonging the life of the mine.

MR. KENNETH B. TAYLOR'S STATEMENT

Mr. Kenneth B. Taylor, M.C., said that at the last meeting he had laid some emphasis on the value of the development work that was being done in the upper horizons of the mine. From what he had seen of it during a recent visit to the property he thought its potentialities were even greater than he had previously contemplated. While he was in India he had taken the opportunity of examining very fully the question of the layout for continuous operations in depth, because they were approaching the 96th level, which was the maximum depth for which the existing winding engines were designed. ~~To carry on the mine in depth~~ below the 96th level three new shafts would be needed, equipped with winding engines, designed to hoist from a vertical depth of 3,000 ft. The question of working conditions in the future had also been discussed, because in the hot months of the year conditions were already very trying at the depth they had at present reached. There could be no doubt that soon the installation of a plant to cool and reduce the moisture content of the down-cast ventilating air would be a necessity if working conditions were to be tolerable and efficiency maintained. The advantages thus to be gained had been so abundantly proved by the plant put in by the Ooregum Company that it had been decided to proceed with a similar plant at Mysore.

In considering the programme of development work, the potentialities of the upper levels were so promising that it would undoubtedly be wise to embark on an extended programme of work there, which was being done. At the same time, development work in depth would be somewhat reduced. From estimates, unless in these difficult days they were upset by rising costs, it should be possible to provide the cost of the whole scheme with but a minor call on the company's capital resources.

ORE RESERVES

The estimate of the ore reserves at the close of the year was 459,000 tons—an increase of 6,000 tons—and the grade was 10.8 dwts per ton, a decline of rather more than ½ dwt. With the increasing price for gold that had been enjoyed in recent times, shareholders would appreciate that more and more areas of low grade ore developed in the early days had become payable, but more important still had been the encouragement that it had given to explore in previously undeveloped areas. He could not, therefore, deplore too strongly any method of

The tax, however, is not only objectionable in principle. It may also be injurious in operation, and we shall have to consider very carefully the effect of it on our policy of expanding still further the mining of low-grade ore. Clearly such an unusual method of taxation requires special justification. The Government of the Union of South Africa justified their original proposal as a measure to prevent speculation in the shares in gold-mining companies, and the Commonwealth Government of Australia introduced similar taxation owing to the exigencies of war finance. The Mysore Government has also announced that its new tax is an emergency measure, but we have not been told what the precise nature of the emergency is.

As far as I am aware, the Government has not been put to any appreciable increase of military expenditure by the war, and if the tax has been imposed merely as a convenient way of raising additional revenue to meet the rising cost of administration, I do not think that that is sufficient justification for a tax which offends against the ordinary principles of taxation.

It has to be remembered that already the Mysore Government derives considerable revenue from the company. Last year we paid them more than £98,000 in royalty, additional royalty and income-tax. Moreover, all these heads are what are known as growing heads of revenue. The higher the price of gold and the more profit we make, the more we pay them under each head.

EFFECT ON COMPANY

Naturally, however, what you are most anxious to know is how the new tax is likely to affect your interests as stockholders in this company, and I now will address myself to this question. I can deal with it only in general terms. We have made the most careful calculations as to the effect of the tax, and no pains were spared to make them as accurate as possible, but I am reluctant to commit myself to definite figures lest misunderstood. The first point I put is that the tax is a very heavy one. The Maharajah of Mysore had now imposed, which must put a brake on that aspect of development.

The recovery of gold last year had been very much on a par with the previous year, as the decrease in grade of just over 1 dwt had been almost made up by treating an extra 28,500 tons of ore in the mill. In spite of that extra tonnage, the aggregate working expenditure increased by only a small amount, so that there was a satisfactory decline of 3s per ton of ore milled in the working costs, and of more than 1s 1d in the cost of development.

Mr. Taylor concluded by paying a tribute to the good work of the superintendent and the whole of the staff on the field.

The report and accounts were unanimously adopted, the retiring directors, Sir George S. Barnes, K.C.B., K.C.S.I., and Mr. Edgar Taylor, were re-elected, and the auditors, Messrs. Turquand Youngs McAuliffe and Co., were reappointed.

Mysore Gold Mines 906

That impressive trio of Indian gold mines, Mysore, Ooregum and Nundydroog have recently published their reports for 1939. The development by these companies of the field in the State of Mysore in which they are situated dates from the 80's of the last century. Since then the companies have been in continuous and profitable production, their aggregate output to date being in the neighbourhood of 14,000,000 fine ounces of gold. Over that comparatively long period—long for a gold mine—the search for payable ore has led deeper and deeper. At present the deepest point reached at Ooregum, for example, is no less than 8,603 ft. below the surface, and 5,636 ft. below sea level. Mining under these conditions calls for a highly specialised technique and sets problems which, judging by results, have been solved with the greatest competence by the managers of the three properties, Messrs. John Taylor & Sons.

Even allowing for the much higher burden of taxation which the companies had to bear in respect of last year's profits the results for 1939 were most favourable. In the case of Nundydroog the working profit rose by some £30,000 to £255,000, but owing, in the main, to higher provision for taxation, the total dividends for the year had to be reduced from 47½ to 42½ per cent.—the lower being still a handsome figure. In the case of Ooregum, the dividend on the ordinary could be raised from 5 to 12½ per cent., while Mysore held its distribution at 27½ per cent. The three companies, being registered in this country, are liable to the buffets of successive war Budgets. Their royalty agreements with the Mysore Government involved a stepping-up of payments during the current year. Now on top of these additional imposts the companies are to be taxed an amount equal to three-quarters of the value of gold they produce over and above 150s. an ounce.

Indian Gold Mines' Results

Now that the annual reports of the four Indian gold mining companies are available shareholders are able to see to what extent the allocations for U.K. taxation have increased. It will be remembered that while all the companies have reported larger profits for 1938 than for the preceding year only one has increased its dividend, while one has reduced its distribution to shareholders. Below we summarise the financial results for the last two financial years:—

		Profit	*Mysore Government royalty*	*Provision for taxation*	*Written off, etc.*	*Dividend* %
Champion Reef	1939	£201,472	£43,613	£49,000	£20,000	40
	1938	192,345	40,848	38,800	21,000	40
Mysore ..	1939	331,234	57,265	102,000	58,000	27½
	1938	285,466	51,185	61,000	51,000	27½
Nundydroog	1939	256,261	57,099	73,230	51,967	42½
	1938	226,725	59,415	49,700	30,681	47½
Ooregum ..	1939	105,708	23,666	25,000	22,000	12½*
	1938	58,760	19,173	9,300	19,000	5*

* On ordinary shares

The profit shown is after allowing for the Mysore Government's royalty, but before providing for U.K. taxation and for the appropriations for writing down machinery and plant and/or shaft sinking, or for insurance, contingency, or general reserve.

The position and prospects of these gold producers are now changed by (1), the recent decision of the Mysore Government to appropriate three-quarters of the amount by which the sale price of gold exceeds 150s. per oz., and (2) the fact that the full scale royalty on profits (instead of two-thirds) is payable as from the end of last month. In our issue of 23 March we illustrated the effect of the new gold duty on Champion Reef's working profits, taking the returns for the December quarter as the basis, and pointed out that the reduction due to the appropriation of a large slice of the gold premium would bring the results back to the average of the past year's quarterly returns. This, we commented, rather suggested that when fixing the gold duty the Mysore Government took the mines' average gold price of 1939 as the basis. This was a trifle under £7 15s. per oz.

In view of the changed position the speeches at the annual meetings of the four companies are being awaited with more than the usual amount of interest. The first of the four meetings will be that of Mysore, which is convened for Wednesday next. Meanwhile, it appears worth while pointing out that current prices for the stock units or shares are mostly nearer the lowest than the highest levels touched during the past year and are discounting the possibility of less favourable financial results. The exception to the rule is Ooregum, whose shares are now standing above their 1939 highest, as a result of the increase in the dividend and the improvement in the mining position. Appended is a table showing last year's extreme and current market prices, together with the yields on the basis of the 1939 dividends:—

	1939 *Highest*	1939 *Lowest*	*Price* 11/4/40	*Approx. yield* %
Champion Reef 10s. stk. units ..	46s. 9d.	33s. 6d.	36s. 0d.	11
Mysore 10s. stk. units	29s. 4d.	21s. 10d.	24s. 3d.	11.3
Nundydroog 10s. shs.	42s. 6d.	25s. 0d.	26s. 6d.	16
Ooregum 10s. ord. shs.	10s. 3d.	7s. 1d.	11s. 9d.	10.6

Yields shown are without allowing for Dominion relief. This is substantial, amounting to almost half the normal U.K. income tax rate.

EXTRACT FROM

MINING WORLD,
Gresham House, Old Broad Street, E.C.2.
4. 5. 1940.

OOREGUM GOLD MINING COMPANY OF INDIA.

Not for six years has the Ooregum mine yielded so much in dividends to its shareholders as it did last year, viz., 22½ per cent. to the preference and 12½ per cent. to the ordinary shareholders. It will have been gathered from the full report of the meeting, published in our last issue, that the record of the year's operations was entirely favourable as regards profit earned, underground developments and ore reserves opened up. Listening, on Friday, to the addresses of the Hon. A. T. J. Fraser, the chairman, and Mr. Sydney Taylor, of Messrs. John Taylor & Sons, the managers, our thoughts went back to the meeting held five years ago—the last meeting of the company over which the Hon. Lionel Holland, the former chairman, presided. On that occasion, Mr. Holland stated that, for the first time for nine years, the steady decline in the reserves of payable ore had been arrested, and he added that the promise of deposits of payable ore at depth—which, he said, first became discernible in 1933—was "confirmed by the exposure of substantial bodies of ore of good widths and high values." At the same meeting, Mr. Sydney Taylor said that in their exploratory work they had been through a lean zone, extending for nearly 1,000 ft. in depth, in Bullen's section, "but," he continued, "it now looks as though we are about to witness another example of the characteristic of the lode of the Kolar goldfield, namely, the re-make of ore shoots in depth."

That was five years ago, and although it cannot be said that anything in the way of sensational development has taken place since then, an improvement in the lode channel has gradually manifested itself, and at the meeting last week Mr. Sydney Taylor was able to state that the prospects in Bullen's section—which in earlier days was the most productive part of the mine—are better than they have been for some years past. "We appear," he said, "to have now passed through the extensive barren zone in this part of the mine, and have once again found the reef channel undisturbed by pegmatite intrusions, and with a definite quartz reef running through it." Gold values are low, but an encouraging feature is the frequency of individual spots giving high assays. For some years past the company's principal standby has been the West Reef, and the developments here, also, have been quite good. In Mr. Taylor's words, "the West Reef continues to be highly productive, and the northward extension of values is an encouraging feature."

If further evidence were needed of the improvement in the mine, it is furnished by the ore reserve position; last year the reserves were increased by no less than 44,352 tons to a total of 304,698 tons. The average grade of these reserves is 10.08 dwt. per ton, whereas the average value of the ore milled in 1939 was only 6.81 dwt. per ton. During the last six years the ore reserves have been more than doubled. The large increase in 1939 was due to the rapidity with which the ground was opened up and to the fact that only 21 per cent. of the ore milled was drawn from the payable reserves.

The air conditioning plant, the installation of which was completed in August, 1938, was in continuous operation throughout last year and has been a great success; the benefits derived from it, indeed, have been of a very striking character. It has enabled cool, dry air to be supplied to the mine, thereby improving the general efficiency of the underground labour, and it is found that the miners can do more work and earn more pay. Development work is speeded up, fewer men are required for stoping and important savings in cost are effected. The large increase in the ore reserves in 1939, Mr. Taylor informed shareholders, was the direct result of the rapidity with which the mine can now be developed. "Undoubtedly," he added, "the greatest economic benefit of air conditioning is the lengthening of the life of the mine, for it makes it possible to contemplate mining operations at depths far greater than we have yet reached."

From what was stated at the meeting one gets the impression that there is still a future for this famous old Ooregum mine. But whether that future will be curtailed or prolonged depends to a large extent on the policy adopted by the Mysore Government. In the past that Government has pursued an intelligent policy of encouragement towards the gold mining industry, the result of which has been that the companies have been enabled to reduce the grade of ore milled during the period of high gold prices and still earn reasonable profits. In the case of Ooregum, as we have stated, for some years the company has been working in a very lean zone and the ordinary shareholders have had to be content with a meagre 3d. or 6d. a share as dividend. It is unfortunate that just when the mine is looking better and its dividend earning capacity is improving, the Mysore Government has apparently changed its attitude towards the industry from one of encouragement and helpfulness to one that is not far short of plunder. It is going to "skim the cream," as the chairman put it, off the price of gold—in other words, to expropriate, or confiscate three quarters of the amount by which the realised price of gold exceeds Rs. 100 (say, 150s.) per fine oz.—and this at a time when it is to receive an increased royalty under the terms of a new lease. The Government of H.H. the Maharajah of Mysore is insisting also on an increase in the charge for power supplied under its Cauvery Falls hydro-electric system. If these measures are persisted in, it is quite obvious that the companies will be unable to continue their policy of mining lower grade ore, and this will be detrimental to the interests not merely of the investors, but in the long run to the Government and to the large community which depends on the industry for its well-being. It is much to be hoped, therefore, that the Government will see fit to revise its policy and do all in its power to assist the companies to meet the heavy expenditure necessary to carry out their deep mining programmes.

More gold mining company reports — different papers publishing same speeches — received from the Trade Commissioner.

Chas Bentley

Rpgs 19.6.

CHIEF SECRETARIAT
20 JUN 1940
GOVT

Sirs.

These Extracts may be filed in the first secretariat as they will be required for reference purposes.

MK 20/6

Mysore Govt. Branch.

NUNDYDROOG MINES, LIMITED.

DIVIDEND 42½% FOR THE YEAR—STRONG FINANCIAL POSITION— PROGRAMME FOR WORKING THE MINE AT GREATER DEPTH—TAXATION BURDENS—ACTION OF MYSORE GOVERNMENT SEVERELY CRITICISED.

The 19th ordinary general meeting of Nundydroog Mines, Ltd., was held at Southern House, Cannon Street, London, E.C., on Tuesday, 30th April, 1940.

Mr. Kenneth B. Taylor, M.C.

(Chairman of the Company), presided.

Mr. C. H. D. GARLAND, F.C.I.S. (Secretary), read the notice convening the meeting and the report of the Auditors to the members.

THE LATE MR. V. HERBERT SMITH.

The CHAIRMAN said: Gentlemen, since we last met I very much regret to say we have suffered a severe loss in the death of our late Chairman, Mr. Vere Herbert Smith. Mr. Herbert Smith first joined this Board 30 years ago, and since 1920 was its Chairman. So to many of you he was a familiar figure presiding at these annual meetings, and I think it needs no words of mine to emphasise the devotion he had for this Company, and the zeal with which he guided its affairs. His loss to the Company is a great one, and we, his colleagues on the Board, will greatly miss the wisdom of his counsel and the sincerity of his friendship.

THE YEAR'S RESULTS.

The report and accounts for last year have been in your hands for some days, so I presume you will agree to take them as read. The average price realised for gold last year was £7 14s. 9d. per oz., compared with £7 2s. 2¾d. in 1938; so that, although we recovered rather less gold from the mine, the revenue from gold sales was slightly increased. On the other side of the revenue account, working expenses were lower by nearly £20,000. The net result was that the balance of profit transferred to the profit and loss account was £255,167, an increase of nearly £30,000. Expenditure on buildings, machinery and plant, and on exploration of the western lodes varied very little from the previous year, and, following our customary practice, it has been written off. Income tax, however, has risen considerably, and it has been necessary to reserve £64,000 on this account in place of £43,000 the year before, and National Defence Contribution at £9,230 has also risen £2,500. The amount we have allocated to general reserve has been increased from £10,000 last year to £30,000 this year, and the reserve fund now stands at £147,500. The reason for this more liberal provision is partly on account of the expenditure that we have before us in the next few years in providing facilities for working the mine in greater depth, to which I will refer later, but also because, as I know you will agree, a strong financial position is essential in the difficult and uncertain times in which we at present live. After providing for all these items, we were able to declare a dividend of 42½ per cent., only 5 per cent. less than last year.

THE MINE.

Turning now to the mine. A vigorous programme of development work was carried out, and the position in depth remains very much as it was 12 months ago. The ore shoot in the centre of the mine, in Kennedy's Section, was opened up at the 68th level and disclosed 650 ft. of ore averaging 8.74 dwt. over a width of 21 in. Since the close of the year the drive north has passed through the Oriental dyke and found ore of similar width and value on the far side. Although intrusions of pegmatite are rather numerous and the values are patchy in this ore shoot, it is encouraging that it contains much more quartz than had been known in this part of the mine for many years.

DEVELOPMENTS NEAR SOUTH BOUNDARY.

Twelve months ago I told you of the discovery of a rich, though short, run of ore on our south boundary, on the 69th horizon, in a drive put into our property by arrangement with the Ooregum Company. During the course of the year the Ooregum Company put down a winze on it for us, which disclosed quartz 36 in. wide worth 42.5 dwt. of gold per ton for the 85 ft. sunk. Since then the winze has reached the 70th level and drives north and south have given satisfactory results. Our 69th level south from No. 3 auxiliary shaft has now holed through to the Ooregum drive, but Ooregum have consented, for the time being, to continue to develop this ore shoot for us, because it is at present more readily accessible to them than to us. So much for the development work in depth, where we are developing at present one ore shoot of moderate value and fair length, and another ore shoot short in length but rich in value. I think this is encouraging for the future prospects in depth, and when one remembers that all the other mines on the Kolar Gold Field are at present working on valuable ore shoots at horizons as much as 1,000 ft. lower than our present bottom levels, one can have little doubt of the future possibilities of the Nundydroog mine in depth.

UPPER LEVELS.

Last year, perhaps the most interesting development work was done in levels higher up in the mine, in search of quartz that was not considered worth while to explore in the days when gold was at its par-value, and to test new ideas for the possible extension of ore shoots and folds in the upper levels. This work is now going on in all sections of the mine, from the old Balaghat mine in the north to our south boundary, and is meeting with a fair measure of success. For example, to mention only three points: In the north, in the old Balaghat mine, at the 700 ft. level, last year we opened up 43 ft. of quartz 16 in. wide worth 59 dwt., and at the 4,000 ft. level south from Tennant's main winze 66 ft. of quartz worth 37 dwt. over a width of 25 in. was driven upon. In the south, in Taylor's section, a rise was put up from the 44th level for 46 ft. on quartz 17 in. wide worth 53 dwt. of gold per ton. I would like to record here the great assistance that has been derived in deciding the points of attack for this work from Mr. Thomas Pryor, who visited the Kolar Gold Field last summer. His personal knowledge of the earlier history of the Nundydroog mine, coupled with the soundness of his geological deductions, has been of the utmost value to us. As this work is being done in areas that, for the most part, have been lying dormant for many years, I am sure you will appreciate that it cannot be expected to yield rapid results, because it entails reclamation of rises and winzes and levels, in some cases over considerable distances, but it is being pressed forward as energetically as possible.

ORE RESERVES.

The amount of new ore that was developed last year did not, I am afraid, quite keep pace with the amount that we mined and milled from the reserves, so that there was a reduction of some 30,000 tons in the estimate of ore reserves, which now stand at 516,593 tons. The grade of these reserves is 11.19 dwt., which is a trifle higher than last year. The tonnage of probable ore of low grade, however, was increased by some 50,000 tons, and is estimated now at nearly 234,000 tons. In the mill we treated 242,600 tons of ore of an average grade of 7.31 dwt., and, in addition, 131,000 tons of old tailings were re-treated. Of the tonnage milled, about 40 per cent. came from areas not included in the estimate of ore reserves, and quite an appreciable part of it was from two old mines on the western lodes that were reopened some time ago, known as Road Block and Golconda. The tonnage milled last year was not quite up to what we had hoped for, but for this there were two reasons. During the course of the year it became necessary to carry out some essential repairs to winding engines, which interfered with hoisting facilities at times, but we also had to reconsider the stoping programme to which the mine was working. The ore reserves are concentrated in comparatively few areas, and the one thing we have to be continually on our guard against is the risk of having them made unavailable by rock bursts. As the ore is mined, the excavated area is being largely filled with granite packwalls, built as solidly as possible, and for this purpose we now lower into the mine each year many thousands of tons of granite. But this alone is not enough. It is becoming increasingly important to adhere to a sequence of stoping that is designed to control, as far as is humanly possible, the forces at work within the wall rocks that cause rock bursts. This sequence of stoping is a material factor in the question of output when the areas to be drawn upon are few in number.

NEW AUXILIARY SHAFTS.

Twelve months ago I told you that we had under consideration the programme for the continuation of development and mining in depth as the winding engines underground were nearing the full depth from which they are designed to wind. While I was on the Kolar Gold Field this winter I was able to discuss this matter fully with your superintendent, Mr. Morrison. The position is that the Nos. 1, 2 and 3 auxiliary shafts will bottom at the 73rd level, and the No. 4 auxiliary shaft at the 69th level. It had already been decided to sink two new auxiliary shafts from the 73rd level close to the No. 1 and 3 auxiliary shafts, and to equip them with engines designed to wind from an ultimate further depth of 3,000 ft., and these engines are at present under construction. It has now been decided also to sink a new auxiliary from the 69th level to serve the No. 4 auxiliary shaft, and this will be

equipped with a winder that we already have on the property.

VENTILATION.

In considering the position in the centre of the mine, the question of ventilation is of paramount importance. In days to come, a shaft similar in size and capacity to Henry shaft will be necessary to serve the mine in depth from the 48th level, both for handling men and materials, and also for ventilation. For the present the question of ventilation is the most urgent, and that can be provided in another way by installing an air conditioning plant to cool and dry the downcast air. The experience of the Ooregum Co. who installed such a plant two years ago, has proved beyond doubt the abundant advantages of it. So it has been decided to instal a similar plant at Nundydroog. Facilities for hoisting men and material can be adequately provided for some years ahead by sinking a sub-vertical shaft below the 73rd, equipped with a winding engine that we have. This shaft, however, will be similar in size and capacity to Henry shaft, and it will be sited so that when in the future it becomes necessary to do so, it can be connected to the 48th level, adjacent to the bottom of Henry shaft, and become the main underground shaft serving the mine in depth.

WILL TAKE SEVERAL YEARS.

The programme that I have outlined to you will, of course, take several years to bring to fruition, and I find it difficult to be precise about the cost of it, particularly in these difficult days. It is by no means all additional expenditure as the annual cost of deepening the mine is always considerable. The air-conditioning plant, the winding engines, and the excavations to house them are additional, and the estimate for these is £135,000. To meet this expenditure it is fortunate that our financial position is quite healthy, and so I anticipate that it will only be necessary to call on the profits for quite moderate amounts in the next few years towards this capital expenditure.

ELECTRICAL POWER.

The main reason for my visit to the Kolar Gold Field last winter was to discuss with the Government of His Highness the Maharaja of Mysore, an agreement for the supply of electrical energy to all the mines, to replace the present agreement which expires at the end of this year. The source of this power is the Mysore Government's hydro-electric power scheme on the Cauvery River. The negotiations were not easy with so many technicalities to consider, but agreement in principle was reached on most of the major points, on a basis which, I think, will prove satisfactory to both parties. The chief outstanding point is the price per unit of electricity that we shall be charged. On this matter I am afraid our views are rather divergent, as the Government have proposed a price that is much in excess of what electricity costs us to-day. But we are in their hands in this matter, as we could not generate electrical power ourselves on the field, using coal or oil, at a less price than they have proposed even if we could contemplate the expenditure necessary to erect the power station at this stage of the mine's history. Nevertheless, I do not think this is a justifiable reason. The supply of electricity in the Mysore State is a monopoly, and in the hands of a public utility company I feel certain the Mysore Government would impose the usual restrictions on the price to be charged for electricity so that no more than a reasonable return on the capital invested was earned. From the Administration Report of the Mysore Government Electrical Department there is no evidence that a reasonable financial return on the capital invested is not already being earned, and so on this score there is no justification. With a public utility company it is usual to grade the prices charged for electricity according to the magnitude of the consumption, and the nature of the load, the most favourable price being given to the largest consumer with the load that is the most satisfactory for the power station to supply. When I tell you that the Kolar Gold Field consumes well over half of the output that the Government generates, and that our load factor is a very high one, and therefore very favourable, I think you will agree that we are entitled to expect that these factors should be given due weight in the price that we are asked to agree to.

TAXATION.

Now, gentlemen, I come to that unpleasant subject, taxation. We all know, in this country, income tax has been substantially increased, but we bear that cheerfully because we know only too well the paramount necessity for it. In Mysore, income tax has also been increased by 6 pies in the rupee, and that, too, we can bear with equanimity, as it is an extra burden that falls upon all who are subject to pay income tax in the State of Mysore. But the gold industry in Mysore has been singled out for special taxation as well, and from 22nd March last the Mysore Government have annexed three-quarters of the amount by which the sale value of gold exceeds Rs. 100 (approximately 150s. per oz.). At first the Government intended to annex the whole of the amount, but after we had lodged vigorous and emphatic protests they modified their original intention to three-quarters of the amount, and agreed that in calculating the 5 per cent. fixed royalty and the additional royalty that we pay under the terms of the leases, the sale value of gold shall be taken after deduction of this new duty. So the new duty is not quite so severe as it might have been.

INJURIOUS TO INDUSTRY.

Nevertheless, this type of tax, one which pays no regard to the profit earning capacity of the industry, which in these difficult days is bound to be affected by rising costs, is bad in principle, and can but tend to be injurious to the industry in practice. Then again any special taxation is not usually imposed without some very good reason. In South Africa, just prior to the outbreak of war, a similar tax was imposed specifically to discourage speculation in gold shares. Later the tax was retained to assist in providing revenue for defence purposes. Later still, in the South African Budget in February last, the gold industry ceased to be singled out in this way, and all industries were called upon to make their contributions to the heavy expenditure entailed in defence measures, and at the same time this unsound type of tax on the gold industry was abandoned, and replaced by one on profits. Extra taxation for defence measures in these days, unpalatable as it may be, one accepts as inevitable, but I cannot think that Mysore has any need on this account.

THE NEW LEASES.

But there is another aspect to this matter. Early in 1934 we agreed with the Mysore Government the terms for the renewal of the leases which were due to expire on 22nd March, 1940. At that time the price of gold was rising, and we accepted the contention of the Government that the old royalty of 2½ per cent. on dividends should be replaced by a new one, to be termed "additional royalty," which would give the Mysore Government an increasing share in the profits of the Company as prosperity increased due to a rising price of gold. Government had also asked for a substantial payment as a premium for renewing the leases, but in place of this lump sum payment it was agreed that we should commence paying the additional royalty at once at two-thirds of its full rate. In the six years that have since elapsed the Nundydroog Company has paid by way of this premium no less than £257,206, a figure not far short of the whole of our issued capital.

"A RAW DEAL."

We now find that from the first moment that the new leases came into operation we are to be deprived of a substantial part of their benefit, although the Government participation in additional royalty has increased by 50 per cent. I know that this aspect of the matter is exercising the minds of shareholders, because I have been approached by some, who express the view that we have had a raw deal, a view with which I am in entire agreement. The Act by which the Government of His Highness implemented this gold duty describes it as an emergency Act, so I presume it will be withdrawn when the emergency passes, but in the meantime I hope it may be re-considered and placed on a more equitable basis, and one less injurious to the future of the industry. I am afraid I have detained you rather long on this tax question, but I felt you would like to know our candid views on it, though I regret having to speak so plainly in view of the friendly relations that exist, and have endured for so many years, between us and the Government of His Highness the Maharaja of Mysore.

THE OUTLOOK.

It is my custom at these meetings to say something of the prospects for the present year, but I know that you will appreciate that this time it is unusually difficult, with so many factors of the incidence of all this new taxation not yet clarified. I am afraid it is inevitable that the profit will be less. Taking all factors into account, as far as we are at present able to judge, the fall in revenue from gold sales, assuming gold maintains its present price throughout the year, will be in the region of £50,000. On the other hand, in spite of the higher rates of income tax, this will be tempered for the reason that it should not be necessary to make so large a provision for income tax reserve, and National Defence Contribution will require less. In closing I should like to express our thanks to the staffs both in England and in India. In England, particularly to Mr. Garland, our Secretary, who carries on so ably in spite of a shortage of staff, due to the exigencies of the war. In India, Mr. Morrison, the Superintendent and all his staff continue as ever to do all in their power to improve the efficiency with which the mine is run, and from the visit I paid to the mine this winter, I can say no praise for what they are doing is too high. I now beg to move: "That the report and accounts for the year ended 31st December, 1939, be received and adopted," and I will ask Mr. Francis if he will kindly second the resolution.

Mr. P. C. C. FRANCIS formally seconded the resolution, and it was carried unanimously.

NEW DIRECTOR.

The CHAIRMAN next proposed that Mr. A. d'A. Willis be re-elected a Director of the Company. Those who were interested in India and its industries, he said, did not need any

MINING WORLD,
Gresham House, Old Broad Street, E.C.2.
4 · 5 · 1940.

introduction to Mr. Willis; his long association with India and unrivalled knowledge of Indian affairs was such that shareholders could count themselves fortunate that Mr. Willis had consented to join the Board.

Major-Gen. A. C. J. de LOTBINIERE, C.B., C.S.I., C.I.E., seconded the resolution, and it was carried unanimously.

The Director retiring by rotation—Mr. Edgar Taylor—was unanimously re-elected, and Messrs. Turquand, Youngs, McAuliffe & Co. were reappointed Auditors for the ensuing year.

SPECIAL BUSINESS.

The CHAIRMAN: The next item on the agenda is the Special Resolution which is contained in the notice convening the meeting. In these difficult days, when an emergency may arise at any moment, I think you will agree that it is only reasonable we should take every precaution we can, so that the business of the Company can be carried on. That is the basis of the proposal that the Articles of Association be altered, making provision for alternate Directors. Incidentally, alternate Directors means no extra expense to the Company. You have already heard the resolution read, so I need not repeat it; I merely propose that it be received and adopted.

Mr. FRANCIS seconded the proposal, and it was carried unanimously.

The proceedings then terminated.

THE PRESS CLIPPING BUREAU

EXTRACT FROM 26 APR 1940

THE TIMES

Date

Severe criticisms of the Mysore Government's new gold tax proposals were voiced by Mr. A. T. J. Fraser at yesterday's meeting of the Champion Reef Gold Mines of India. No allowance is being made, he said, for the rise in costs caused by the war, and the company's policy of milling lower-grade ore has been hindered, thereby eventually shortening the life of the mine.

GEN. & REV. BRANCH
FIN
5-281
21 JUN

More Kolar Company reports from London:

Chg/Sulay).

Rsay
18.6

CHIEF SECRETARY
21 JUN 1940
GOVT OF MYSORE

1st Member.
Rev. Fin. Secy

MK
19/6

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20/6/40

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21/6

Fin Sec.

Mr MK

COMPARATIVE STATEMENTS SHOWING THE QUANTITIES OF GOLD PRODUCED AND THE GROSS AMOUNTS REALIZED BY THE SEVERAL GOLD MINING COMPANIES AT KOLAR.

MONTH.....April.....1940.

Comparative Statement showing the quantity of Gold produced in the several Gold Mining Companies at Kolar. (in Tolas)

Mining Companies	Years	January	February	March	April	May	June	July	August	September	October	November	December	Remarks
						In the Month								
Mysore Gold Mining Co., Ltd.	1931	28,757	26,391	24,929	20,459	16,004	18,717	17,930	15,678	18,455	25 337	22,331	20,562	Figures for the month are according to the production statements for April 1940.
	1932	18,744	17,894	19,287	19,699	19,777	19,216	19,707	19,641	19,776	20,216	20,536	20,804	
	1933	20,328	18,817	20,163	19,617	20,121	20,786	20,174	21,047	20,246	20,501	20,626	21,453	
	1934	20,672	18,951	20,634	19,972	20,703	20,277	20,502	20,628	20,141	20,629	20,386	21,503	
	1935	20,559	18,780	21,134	20,537	21,394	20,875	20,939	21,862	20,558	21,205	21,360	21,832	
	1936	21,321	20,691	22,231	20,825	21,930	20,939	21,383	21,743	21,686	21,560	21,716	21,934	
	1937	21,497	19,982	21,939	21,008	22,387	21,261	22,066	21,591	21,309	21,604	21,316	25,665	
	1938	21,689	19,697	21,796	20,843	21,942	21,445	22,664	23,251	22,298	22,744	22,702	24,550	
	1939	22,225	20,482	22,718	21,566	22,572	21,603	22,247	22,614	21,619	22,185	22,023	22,369	
	1940	20,579	21,378	20,970	*20,150*									
Champion Reef ,, ...	1931	14,219	14,224	15,090	14,489	14,080	14,085	14,619	14,572	14,465	13,991	14,677	14,413	
	1932	14,083	14,260	14,589	13,474	14,595	15,024	14,506	14,946	15,185	14,858	15,619	15,083	
	1933	14,716	13,592	14,551	12,923	13,864	14,290	14,592	15,094	14,201	13,858	14,138	14,919	
	1934	14,499	13,278	14,485	14,067	14,945	15,055	14,834	14,963	15,053	15,028	15,581	15,386	
	1935	15,351	13,935	15,418	14,786	15,437	15,097	15,105	15,704	14,780	15,255	14,993	15,330	
	1936	15,438	14,868	16,007	15,019	15,721	15,143	15,643	15,674	15,559	15,559	15,280	15,707	
	1937	15,477	14,350	15,781	15,086	16,024	15,235	15,789	15,529	15,321	15,554	15,343	17,235	
	1938	15,890	14,505	16,007	15,213	16,046	15,640	15,706	16,090	15,373	15,813	15,680	15,908	
	1939	I5,734	14,468	16,111	15,315	16,010	15,373	15,786	15,093	13,621	15,607	15,416	15,624	
	1940	15,226	14,424	15,416	*14,835*									
Ooregum ,, ...	1931	13,155	11,726	12,204	12,220	12,945	12,742	13,119	15,090	15,615	18,234	15,296	14,714	
	1932	11,608	11,882	11,790	11,397	11,772	11,918	11,483	11,154	11,772	11,684	11,445	10,969	
	1933	11,874	10,489	11,001	11,079	11,155	11,470	12,103	12,646	12,043	11,313	11,055	11,266	
	1934	11,196	10,829	10,895	10,701	11,164	11,282	11,059	11,253	11,376	11,361	11,562	11,450	
	1935	11,370	11,318	11,459	11,239	11,467	11,378	11,117	12,140	11,751	12,643	11,921	11,511	
	1936	10,935	11,265	11,410	10,927	11,272	11,100	11,392	11,561	12,006	11,508	11,598	11,580	
	1937	11,344	11,411	11,747	11,296	11,707	11,445	11,291	10,937	10,938	10,845	11,272	11,150	
	1938	10,796	10,819	10,859	10,684	11,171	11,225	10,994	11,686	12,654	11,372	11,644	12,810	
	1939	11,419	11,514	12,161	11,933	12,111	11,966	11,971	12,124	11,938	11,924	12,089	12,015	
	1940	12,108	12,362	12,362	*12,242*									
Nundydroog ,, ...	1931	18,616	19,198	19,482	19,349	18,527	12,201	12,127	15,937	17,768	20,250	19,642	19,658	
	1932	18,926	19,226	19,631	19,144	21,578	27,832	24,325	25,108	24,557	22,786	26,304	27,389	
	1933	27,382	36,549	33,611	30,988	26,006	25,198	27,870	27,389	27,393	25,071	26,504	27,501	
	1934	25,678	25,156	23,837	24,533	25,138	24,773	24,352	24,470	24,554	24,456	24,391	27,445	
	1935	25,114	24,824	24,814	24,241	24,555	24,377	24,262	25,488	24,589	24,374	24,721	24,574	
	1936	24,947	24,127	25,583	24,288	26,006	25,544	25,301	25,683	26,264	25,503	25,532	25,713	
	1937	25,336	23,538	25,716	24,681	26,087	25,005	25,793	25,395	23,983	24,384	23,983	24,687	
	1938	23,443	21,264	22,834	21,304	22,444	21,886	22,001	22,531	21,539	21,119	21,894	22,298	
	1939	21,503	19,681	21,275	20,227	20,977	20,176	20,709	21,095	20,161	20,741	20,234	20,199	
	1940	19,331	18,158	19,216	*18,318*									

		To end of the Month.											
Mysore ...	1931	28,757	55,148	80,077	1,00,536	1,16,540	1,35,257	1,53,187	1,68,865	1,87,320	2,12,657	2,34,988	2,55,557
	1932	18,744	36,638	55,925	75,624	95,401	1,14,617	1,34,324	1,53,965	1,73,741	1,93,957	2,14,493	2,35,297
	1933	20,328	39,145	59,308	78,925	99,046	1,19,832	1,40,006	1,61,053	1,81,299	2,01,800	2,22,426	2,43,879
	1934	20,672	39,623	60,257	80,229	1,00,932	1,21,209	1,41,711	1,62,339	1,82,480	2,03,109	2,23,495	2,44,998
	1935	20,559	39,339	60,473	81,010	1,02,404	1,23,279	1,44,218	1,66,080	1,86,638	2,07,843	2,29,203	2,51,035
	1936	21,321	42012	64,243	85,066	1,06,698	1,27,937	1,49,320	1,71,063	1,92,749	2,14,309	2,36,025	2,57,959
	1937	21,497	41,479	63,418	84,426	1,06,813	1,28,074	1,50,140	1,71,731	1,93,040	2,14,644	2,35,960	2,61,625
	1938	21,689	41,386	63,182	84,025	1,05,967	1,27,412	1,50,076	1,73,327	1,95,625	2,18,369	2,41,071	2,65,621
	1939	22,225	42,707	65,425	86,991	1,09,563	1,31,166	1,53,413	1,76,027	1,97,646	2,19,831	2,41,854	2,64,223
	1940	20,579	41,957	62,927	*83,077*								
Champion Reef ,, ...	1931	14,219	28,443	43,533	58,022	72,102	86,187	1,00,806	1,15,378	1,29,843	1,43,834	1,58,511	1,72,924
	1932	14,083	28,343	42,932	56,406	71,001	86,025	1,00,551	1,15,477	1,30,662	1,45,520	1,61,139	1,76,222
	1933	14,716	28,308	42,859	55,782	69,646	83,936	98,528	1,13,622	1,27,823	1,41,681	1,55,819	1,70,738
	1934	14,499	27,777	42,262	56,329	71,274	86,329	1,01,163	1,16,126	1,31,179	1,46,207	1,61,788	1,77,174
	1935	15,351	29,286	44,704	59,490	74,927	90,024	1,05,129	1,20,833	1,35,613	1,50,868	1,65,861	1,81,191
	1936	15,438	30,306	46,313	61,332	77,053	92,126	1,07,589	1,23,263	1,38,822	1,54,381	1,69,661	1,85,368
	1937	15,477	29,827	45,608	60,694	76,718	91,953	1,07,742	1,23,271	1,38,592	1,54 146	1,69,489	1,86,724
	1938	15,890	30,395	46,402	61,615	77,661	93,301	1,09,007	1,25,097	1,40,470	1,56,283	1,71,963	1,87,871
	1939	15,734	30,202	46,313	61,628	77,638	93,011	1,08,797	1,23,890	1,37,511	1,53,118	1,68,534	1,84,158
	1940	15,226	29,650	45,066	*59,901*								
Ooregum ...	1931	13,155	24,881	37,085	49,305	62,250	74,992	88,111	1,03,201	1,18,816	1,37,050	1,52,346	1,67,060
	1932	11,608	23,490	35,280	46,677	58,449	70,367	81,850	93,004	1,04,776	1,16,460	1,27,905	1,38,874
	1933	11,874	22,363	33,364	44,443	55,598	67,068	79,171	91,817	1,03,860	1,15,173	1,26,228	1,37,494
	1934	11,196	22,025	32,920	43,621	54,785	66,067	77,126	88,379	99,755	1,11,116	1,22,678	1,34,128
	1935	11,370	22,688	34,147	45,386	56,853	68,231	79,348	91,488	1,03,239	1,15,882	1,27,803	1,39,314
	1936	10,935	22,200	33,610	44,537	55,809	66,909	78,301	89,862	1,01,868	1,13,376	1,24,974	1,36,554
	1937	11,344	22,755	34,502	45,798	57,505	68,950	80,241	91.178	1,02,116	1,12,961	1,24,233	1,35,383
	1938	10,796	21,615	32,474	43,158	54,329	65,554	76,548	88,234	1,00,888	1,12,260	1,23,904	1,36,714
	1939	11,419	22,933	35,094	47,027	59,138	71,104	83,075	95,199	1,07,137	1,19,061	1,31,150	1,43,165
	1940	12,108	24,470	36,832	*49,074*								
Nundydroog , ...	1931	18,616	37,814	57,296	76,645	95,172	1,07,373	1,19,500	1,35,437	1,53,205	1,73,455	1,93,097	2,12,755
	1932	18,926	38,152	57,783	76,927	98,505	1,26,337	1,50,662	1,75,770	2,00,327	2,23,113	2,49,417	2,76,806
	1933	27,382	63.931	97,542	1,28,530	1,54,536	1,79,734	2,07,604	2,34,993	2,62,386	2,87,457	3,13,961	3,41,462
	1934	25,678	50,834	74,671	99,204	1,24,342	1,49,115	1,73,467	1,97,937	2,22,491	2,46,947	2,71,338	2,98,793
	1935	25,114	49,938	74,752	98,993	1,23,548	1,47,925	1,72,187	1,97,675	2,22,264	2,46,638	2,71,359	2,95,933
	1936	24,947	49,074	74,657	98,945	1,24,951	1,50,495	1,75,796	2,01,479	2,27,743	2,53,246	2,78,778	3,04,491
	1937	25,336	48.874	74,590	99,271	1,25,358	1,50,363	1,76,156	2,01 551	2,25,534	2,49,918	2,73,901	2,98,588
	1938	23,443	44,707	67,541	88,845	1,11,289	1,33,175	1,55,176	1,77,707	1,99,246	2,20,365	2,42,259	2,64,557
	1939	21,503	41,184	62,459	82,686	1,03,663	1,23,839	1,44,548	1,65,643	1,85,804	2,06,545	2,26,779	2,46,978
	1940	19,331	37,489	56,705	*75,018*								

Statement showing the Rates at which the Gold produced in the several Gold Mining Companies at Kolar was Sold.

Consignments	Years	January	February	March	April	May	June	July	August	September	October	November	December	Remarks
		Rate per Tola.												
First Consignment ...	1931	21 5 3·7	21 3 10	21 3 10	21 3 10	21 3 10	21 3 10	21 3 10	21 4 9·4	26 2 11·5	26 4 0·3	30 8 6·4	28 9 0·4	
Second do ...	,,	21 5 0·4	21 3 10	21 3 10	21 3 10	21 3 10	21 3 10	21 3 10	25 0 0·4	25 10 0·4	28 5 4·7	29 1 0·5	28 14 6·4	
First do ...	1932	29 0 6	27 12 0	26 14 6	27 15 6	27 14 3	28 10 0	29 1 9	29 1 0	29 5 11	30 8 0	31 6 0	30 4 7	
Second do ...	,,	28 15 0	26 13 0	27 12 0	27 14 6	28 6 0	28 13 6	29 3 0	29 4 0	30 13 9	31 1 10	30 2 9	30 3 0	
First do ...	1933	29 12 0	29 8 1	29 14 7	30 6 0	30 2 3	30 12 5	30 11 9	32 4 2	33 1 6	32 11 9	31 3 3	32 3 6	
Second do ...	,,	29 11 10	29 10 0	29 13 6	30 3 11	30 3 6	30 7 9	31 11 0	33 1 3	32 9 1	31 13 9	31 1 0	32 11 0	
First do ...	1934	34 6 0	33 13 0	33 5 9	33 10 0	34 3 3	34 3 6	34 4 3	34 12 6	35 6 6	34 7 11	34 13 6	35 0 6	
Second do ...	,,	33 11 0	33 8 4	33 6 6	33 14 9	34 0 7	34 3 3	34 9 0	35 2 0	34 10 6	34 9 11	34 13 9	34 12 3	

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Comparative Statement showing the gross amount realized by the sale of Gold produced by the several Gold Mining Companies at Kolar.

(Rupees in Thousands)

Mining Companies	Years	January	February	March	April	May	June	July	August	September	October	November	December	Remarks
							In the Month.							
Mysore Gold Mining Co., Ltd.	1931	6,13	5,61	5,29	4,35	3,40	3,98	3,81	3,62	4 78	6,83	6,65	5,90	
	1932	5,44	4,88	5,26	5,50	5,56	5,52	5,74	5,73	5,94	6,23	6,32	6,29	
	1933	6,05	5,56	6,02	5,95	6,07	6,37	6,30	6,87	6,65	6,62	6,42	6,96	
	1934	7,04	6,38	6,89	6,74	7,06	6,94	7,06	7,21	7,06	7,13	7,10	7,50	
	1935	7,23	6,79	7,56	7,22	7,49	7,24	7,24	7,64	7,19	7,39	7,44	7,56	
	1936	7,39	7,18	7,73	7,21	7,50	7,17	7,32	7,50	7,61	7,57	7,61	7,69	
	1937	7,56	7,02	7,64	7,28	7,78	7,36	7,62	7,49	7,40	7,46	7,34	8,84	
	1938	7,47	6,82	7,61	7,30	7,77	7,61	8,14	8,40	8,08	8,41	8,46	9,12	
	1939	8,22	7,57	8,41	7,99	8,37	8,01	8,25	9,21	8,91	9,27	9,23	9,43	
	1940	8,71	9,10	8,92	*8,58*									
Champion Reef ,, ...	1931	3,03	3,02	3,21	3,08	2,99	2,99	3,10	3,38	3,75	3,83	4,36	4,14	Rate adopted:—Rs. 42-9-0 per tola (being the rate at which the 1st consignment of Gold for April 1940 was sold on 9th May 1940).
	1932	4,08	3,89	3,99	3,76	4,11	4,32	4,23	4,36	4,57	4,57	4,81	4,56	
	1933	4,37	4,02	4,35	3,91	4,19	4,38	4,55	4,94	4,66	4,48	4,40	4,85	
	1934	4,94	4,47	4,84	4,75	5,10	5,15	5,10	5,23	5,28	5,19	5,43	5,37	
	1935	5,40	5,05	5,52	5,20	5,40	5,23	5,23	5,48	5,17	5,32	5,22	5,31	
	1936	5,35	5,16	5,57	5,20	5,39	5,18	5,29	5,40	5,46	5,47	5,36	5,50	
	1937	5,44	5,04	5,49	5,23	5,57	5,27	5,45	5,39	5 32	5,37	5,28	5,93	
	1938	5,48	5,02	5,59	5,33	5,68	5,55	5,64	5,81	5,57	5,85	5,84	5,91	
	1939	5,82	5,35	5,97	5,67	5,94	5,70	5,85	6,15	5,61	6,52	6,46	6,59	
	1940	6,45	6,14	6,56	*6,31*									
Ooregum ,, ...	1931	2,81	2,49	2,59	2,60	2,75	2 71	2,79	3,52	4,04	5,02	4,55	4,23	
	1932	3,37	3,24	3,22	3,18	3,32	3,42	3,35	3,25	3,55	3,60	3,52	3,32	
	1933	3,53	3,10	3,29	3,36	3,37	3,51	3,78	4,13	3,96	3,65	3,44	3,66	
	1934	3,81	3,65	3,64	3,61	3,81	3,86	3,81	3,93	3,99	3,93	4,03	4,00	
	1935	4,00	4,09	4,10	3,95	4,01	3,95	3,84	4,24	4,11	4,41	4,15	3,99	
	1936	3,79	3,91	3,97	3,78	3,86	3,80	3,90	3,99	4,21	4,04	4,07	4,06	
	1937	3,99	4,01	4,09	3,91	4,07	3,96	3,90	3,80	3,80	3,74	3,88	3,84	
	1938	3,72	3,75	3:79	3,74	3,95	3,98	3,95	4,22	4,58	4,20	4,34	4,76	
	1939	4,23	4,25	4,50	4,42	4,49	4,44	4,44	4,94	4,92	4,98	5,07	5,07	
	1940	5,13	5,26	5,26	*5,21*									
Nundydroog ,, ...	1931	3,97	4,08	4,14	4,11	3,93	2,59	2,58	3,67	4,60	5,49	5,88	5,64	
	1932	5,49	5,27	5,34	5,35	6,06	8,00	7,09	7,32	7,38	7,02	8,08	8,28	
	1933	8,15	10,81	10,04	9,39	7,85	7,72	8,71	8,96	8,99	8,10	8,25	8,91	
	1934	8,75	8,48	7,96	8,28	8,58	8,47	8,37	8,54	8,62	8,45	8,50	9,58	
	1935	8,83	8,99	8,88	8,53	8,60	8,45	8,39	8,90	8,60	8,50	8 61	8,51	
	1936	8,65	8,37	8,90	8,41	8,91	8,75	8,66	8,85	9,22	8,96	8,95	9 01	
	1937	8,91	8,27	8,95	8,55	9,07	8,66	8,90	8,81	8,33	8,42	8,26	8,50	
	1938	8,08	7,36	7,97	7,46	7,94	7,76	7,90		7,80	8,17	8,16	8,28	
	1939	7,96	7,27	7,88	7,49	7,78	7,48	7,68	8,58	8,30	8,66	8,48	8,51	
	1940	8,18	7,74	8,18	*7,79*									

		To end of the Month.											
Mysore ...	1931	3,13	11,74	17,03	21,38	24,78	28,76	32,57	36,19	40,97	47,80	54,45	60,35
	1932	5,44	10,32	15,58	21,08	26,64	32,16	37,90	43,63	49,57	55,80	62,12	68,41
	1933	6,05	11,61	17,63	23,58	29,65	36,02	42,32	49,19	55,84	62,46	68,88	75,84
	1934	7,04	13,42	20,31	27,05	34,11	41,05	48,11	55,32	62,38	69,51	76,61	84,11
	1935	7,23	14,02	21,58	28,80	36,29	43,53	50,77	58,41	65,60	72,99	80,43	87,99
	1936	7,39	14,57	22,30	29,51	37,01	44,18	51,50	59,00	66,61	74,18	81,79	89,48
	1937	7,56	14,58	22,22	29,50	37,28	44,64	52,26	59,75	67,15	74,61	81,95	90,79
	1938	7,47	14,29	21,90	29,20	36,97	44,58	52,72	61,12	69,20	77,61	86,07	95,19
	1939	8,22	15,79	24,20	32,19	40,56	48,57	56,82	66,03	74,94	84,21	93,44	102,87
	1940	8,71	17,81	26,73	*35,31*								
Champion Reef ...	1931	3,03	6,05	9,26	12,34	15,33	18,32	21,42	24,80	28,55	32,38	36,74	40,88
	1932	4,08	7,97	11,96	15,72	19,83	24,15	28,38	32,74	37,31	41,88	46,69	51,25
	1933	4,37	8,39	12,74	16,65	20,84	25,22	29,77	34,71	39,37	43,85	48,25	53,10
	1934	4,94	9,41	14,25	19,00	24,10	29,25	34,35	39,58	44,86	50,05	55,48	60,85
	1935	5,40	10,45	15,97	21,17	26,57	31,80	37,03	42,51	47,68	53,00	58,22	63,53
	1936	5,35	10,51	16,08	21,28	26,67	31,85	37,14	42,54	48,00	53,47	58,83	64,33
	1937	5,44	10,48	15,97	21,20	26,77	32,04	37,49	42,88	48,20	53,57	58,85	64,78
	1938	5,48	10,50	16,09	21,42	27,10	32,65	38,29	44,10	49,67	55,52	61,36	67,27
	1939	5,82	11,17	17,14	22,81	28,75	34,45	40,30	46,45	52,06	58,58	65,04	71,63
	1940	6,45	12,59	19,15	*25,46*								
Ooregum ...	1931	2,81	5,30	7,89	10,49	13,24	15,95	18,74	22,26	26,30	31,32	35,87	40,10
	1932	3,37	5,61	9,83	13,01	16,33	19,75	23,10	26,35	29,90	33,50	37,02	40,34
	1933	3,53	6,63	9 92	13,28	16,65	20,16	23,94	28,07	32,03	35,68	39,12	42,78
	1934	3,81	7,46	11,10	14,71	18,52	22,38	26,19	30,12	34,11	38,04	42,07	46,07
	1935	4,00	8,09	12,19	16,14	20,15	24,10	27,94	32,18	36,29	40,70	44,85	48,84
	1936	3,79	7,70	11,67	15,45	19,31	23,11	27,01	31,00	35,21	39,25	43,32	47,38
	1937	3.99	8,00	12,09	16,00	20,07	24,03	27,93	31,73	35,53	39,27	43,15	46,99
	1838	3,72	7,47	11,26	15,00	18,95	22,93	26,88	31,10	35,68	39,88	44,22	48,98
	1939	4,23	8,48	12,98	17,40	21,89	26,33	30,77	35,71	40,63	45,61	50,68	55,75
	1940	5,13	10,39	15,65	*20,86*								
Nundydroog ,, ...	1931	3,97	8,05	12,19	16,30	20,23	22,82	25,40	29,07	33,67	39,16	45,04	50 68
	1932	5,49	10,76	16,10	21,45	27,51	35,51	42,60	49,92	57,30	64,32	72,40	80,68
	1933	8,15	18,96	29,00	38,39	46,24	53,96	62,67	71,63	80,62	88,72	96,97	1,05,88
	1934	8,75	17,23	25,19	33,47	42,05	50,52	58,89	67,43	76,05	84,50	93,00	1,02,58
	1935	8,83	17,82	26,70	35,23	43,83	52,28	60,67	69,57	78,17	86,67	95,28	1,03,79
	1936	8,65	17,02	25,92	34,33	43,24	51,99	60,65	69,50	78,72	87,68	96,63	1,05,64
	1937	8,91	17,18	26,13	34,68	43,75	52,41	61,31	70,12	78,45	86,87	95,13	1,03,63
	1938	8,08	15,44	23,41	30,87	38,81	46,57	54,47	62,62	70,42	78,59	86,75	95,03
	1939	7,96	15,23	23,11	30,60	38,38	45,86	53,54	62,12	70,42	79,08	87,56	96,07
	1940	8,18	15,92	24,10	*31,89*								

No. 1921 Books dated 3-6-40

BANGALORE

... 1st June 1940.

Forwarded, with compliments, to the Financial ~~Development~~ Secretary to Government.

M. Vinaraya V.

Comptroller.

8/6/40

WD 8821—GPB—10—31-5-40

With the Compliments of

The Trade Commissioner for Mysore.

Submitted for perusal

10/7/40

Grand Buildings,
Trafalgar Square, W.C.2.

Great Britain and the East.
May 16, 1940.

Economic Developments in Mysore

FOREST DEPARTMENT: OIL-CRUSHING INDUSTRY: PLANNED PRODUCTION

One of the most remarkable features of the economic development of Mysore is the diversity of effort which has been made. Whether on a large or small scale, in factory or cottage, almost the entire field of industry has been explored and developed invariably with the fullest measure of success. The following particulars, dealing with three different spheres of activity, are typical of their kind, and show how research and scientific knowledge are being applied to the progressive industrialisation of the State.

* * *

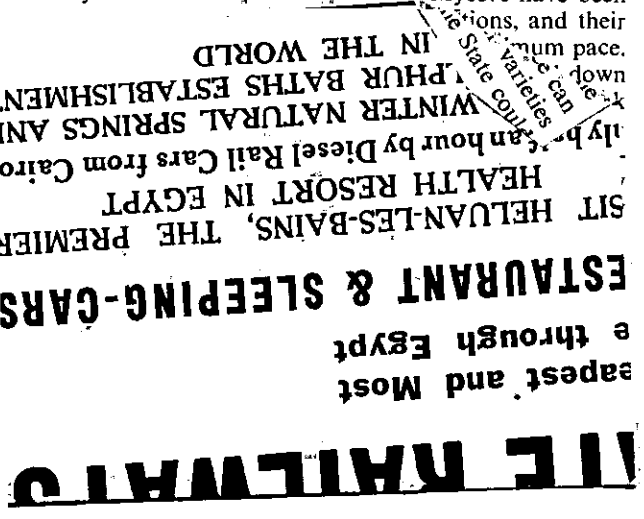
Teak Plantations

At present there are some 13,000 acres of teak plantation in the State of Mysore against 5,000 acres twenty years ago. Within another three score years from now the Mysore Forest Department should be able to harvest about five hundred acres of mature teak forest every year, yielding a net revenue of between five and seven lakhs of rupees and making Mysore independent of all imported timber.

In the last twenty years the Department has made 8,100 acres of plantation, i.e., at the average rate of 450 acres per year. About two and a half lakhs of c. ft. of teak timber is extracted annually from forests. Thus for every 550 c. ft. of teak removed, one acre of teak plantation is formed in Mysore, and this high ratio of afforestation to exploitation has been attained by few other provinces or States in India.

In fact, ever since the Mysore Forest Department was formed in the sixties, it has been engaged in the protection of valuable forest tracts and in enhancing their capital value by the introduction of valuable woods, notably of teak, into them, or in converting them into pure forests of teak.

Practically all the really suitable areas in Mysore have been [illegible] tions, and their [illegible] mum pace.



be minimised, and the present disproportionate export of seeds reduced. The flotation of concerns for the manufacture of several kinds of industrial products from the oils is another point stressed in the report.

The important position occupied by oil seeds in the economy of the State is strikingly brought out in the marketing survey, the salient features of which are as follows: The area under oil seeds in 1938-1939 was 712,470 acres, principally devoted to groundnut, copra, castor, cotton seed, and gingelly. Statistics of production indicate that the total yield for the year amounted to nearly 7,000,000 railway maunds. The total quantity of seeds exported amounted to 1,793,000 railway maunds. The net available supply of seeds in the State during 1938-1939 was 1,774,747 railway maunds.

The oil-seed crushing industry is practised both as a cottage industry and on a factory scale. There are now fourteen large-scale oil mills in the State, the total capital outlay on which is over Rs. 17 lakhs. Mysore produced in the year 1938-1939, 360,880 railway maunds of oil, and 562,818 railway maunds of seed cake with the aid of power-driven mills and village ghanas. The bulk of the seed cake exports consists of groundnut cakes, which are exported mostly from Davangere to Marmugao for shipping to foreign countries.

Sugar-cane Industry

In his paper on agricultural problems in Mysore, with special reference to the sugar-cane industry, read before a meeting of the Mysore Civil Service Association, the Director of Agriculture described how co-operative societies for agricultural production and sale would be of the greatest help in increasing production. Societies started in irrigation areas for advancing seed and manure, purchase of the cane produced, milling it by power-crushers and making jaggery, or unrefined sugar, on a large scale, would stimulate the extension of cane cultivation.

Cane could be produced every month in the climatic conditions of Mysore. A trained staff could look after crushing. A power-crusher could crush faster and extract more juice. Improved furnaces could be introduced to increase boiling capacity. Standardisation in liming could be introduced to produce a high-quality jaggery.

If jaggery were made all the year round it could be exported systematically. Without a co-operative organisation for financing cane cultivation, the cane area could not expand as fast as it should. Without increasing crushing capacity by power-crushers and increased boiling capacity, larger quantities of cane could not be handled. If jaggery-making were in skilled hands and not in those of the cultivator, its quality would improve.

OUR MONTHLY SURVEY.

FIRST AID WORK IN INDIA.—The Mysore Branch of the St John Ambulance Association, which was originally founded in 1910, has recently been increasing its activities as a result of financial aid from the local branch of the Indian Red Cross Society. With the assistance of the Department of Public Instruction of Mysore State, first aid classes have been started in twenty-six schools, a number which will soon be largely increased. Arrangements have also been made for training all bus drivers and conductors in first aid, with the help of the District Medical officers. Up to the present just over a thousand men have qualified. First aid for busmen is particularly important in India, where bus routes run through lonely country far removed from medical centres. Centres for training girls in first aid and home nursing have been set up all over the State, including four in the big city of Bangalore.

Combating Cancer in India.—The installation of the Maximar type of deep X-ray therapy apparatus of 200,000 volts at the Victoria Hospital, Bangalore, and the Radium Centre at the Krishnarajendra University Hospital, Mysore, are two recent steps taken in Mysore towards the reduction of cancer in the State. Judging from the record of cases available in hospitals, it is probable that the cancer mortality in India is as great as that in any European country. The Medical Department of Mysore is making determined efforts to educate public opinion in the rural parts of the State, to convince the villager that the earlier cases are diagnosed and treated the greater the chance of recovery. Medical officers in charge of maternity and child welfare centres have been instructed to bring home the importance of this to the villagers under their charge.

That public opinion has been aroused on the subject is shown by the large donations which have been received towards cancer relief work in Mysore State. The whole of the cost of the X-ray apparatus in the Victoria Hospital was met by donations from private persons and local bodies. Nearly fifty patients attend the Radiology Department of this hospital daily. The staff consists of a senior radiologist, two assistants, two nurses, an electrician, a photographer, two ward boys, and an ayah.

INDIA—The Mysore Silk Industry

The sum of £180,000 has been spent during the last twelve years by the Government of Mysore on improving the important silk industry of the State. While the industry has suffered considerably in recent years from the dumping of Chinese and Japanese silks into the Indian markets, and the area under mulberry has dropped from 54,000 acres to 28,000 acres in the last ten years, the State Government has continued to increase its expenditure on research, marketing facilities and financial aid to silk growers.

At the Central State Silk Farms, experiments covering the whole field of sericulture are carried out. In breeding, the main objects are selective improvements of the local silk worms, fixation of new races, determination of the extent to which hybrid seed can be profitably issued for producing reeling cocoons, rearing of stock and acclimatization of pure foreign races in the preparation of hybrid seed. These experiments were only made possible by a free and successful employment for the first time in India of the artificial treatment of hibernating eggs so as to make them hatch like multivoltines. With the help of grants from the Government of India some interesting experiments in refrigeration of seeds have been successfully carried out and adopted in all grainages where refrigeration is available.

Indian Gold Mine Meetings 906

The meetings of Champion Reef Gold Mines and of Ooregum provided the occasion for further effective criticism of the State of Mysore's recent gold taxation proposals. The Hon. A. T. J. Fraser, who presided at both meetings, stressed the basic argument that the tax of 75 per cent. on the value of gold in excess of 150s. was in fact a tax on the life of the properties affected and therefore harmed not only the shareholders but, much more, the government of Mysore itself. It is to be hoped that the remarks of Mr. Fraser, and those of Sir Charles Innes at the Mysore meeting the week before, will receive the attention they merit from the authorities concerned.

The news of technical interest given to shareholders at the two meetings was definitely encouraging. At Ooregum the improved air conditions have greatly helped development. The results have been particularly encouraging in the West Reef area, which remains the principal standby of the company. The reserve of ore has been doubled over the past six years, its recent expansion being due partly to the extent to which the company has been mining from stopes of low-grade ore and reclamation areas. At Champion Reef the delay in installing air-cooling plant has somewhat retarded operations. The plant is expected to be in operation in July, or just before the worst of the hot season, and its effect should be rapidly apparent in the progress of development work.

NUNDYDROOG MINES LIMITED

DIVIDEND OF 42½%

MR. KENNETH TAYLOR ON TAX POSITION

The nineteenth ordinary general meeting of Nundydroog Mines, Ltd., was held yesterday at Southern House, E.C.

MR. KENNETH B. TAYLOR, M.C. (chairman), who presided, said the average price realised for gold was £7 14s 9d per ounce, compared with £7 2s 2¼d in 1938, so that although they had recovered less gold from the mine, the revenue from gold sales was slightly increased. The net result was that the balance of profit transferred to profit and loss account was £255,167, an increase of nearly £30,000. Income-tax, however, had risen considerably, and it had been necessary to reserve £64,000 on that account in place of £43,000 in the previous year, and National Defence Contribution at £9,230 had also risen. The amount allocated to general reserve had been increased from £10,000 in the previous year to £30,000 this year, and the reserve fund now stood at £147,500. The reason for this more liberal provision was partly on account of expenditure that they had before them in the next few years in providing facilities for working the mine in greater depth, and also because a strong financial position was essential in the difficult and uncertain times at present obtaining. After providing for those items they were able to declare a dividend of 42½ per cent., only 5 per cent. less than that of the previous year.

DEVELOPMENT AT DEPTH

"Turning to the mine, a vigorous programme of development work was carried out, and the position in depth remained very much as it had been twelve months ago. They were developing at present one ore shoot of moderate value and a fair length, and another ore shoot short in length but rich in value. He thought that was encouraging for the future prospects in depth, and when one remembered that all the other mines on the Kolar Gold Field were at present working on valuable ore shoots at horizons as much as 1,000 ft lower than the company's present bottom levels, one could have little doubt of the future possibilities of the Nundydroog mine in depth. Last year perhaps the most interesting development work had been done in levels higher up in the mine, in search of quartz that it was not considered worth while to explore in the days when gold was at its par value, and to test new ideas for the possible extension of ore shoots and folds in the upper levels. This work was now going on in all sections of the mine and was meeting with a fair measure of success.

ORE RESERVES

The amount of new ore developed last year did not quite keep pace with the amount mined and milled from the reserves, so that there was a reduction of some 30,000 tons in the estimate of ore reserves, which now stood at 516,593 tons, the grade of those reserves being 11.19 dwts, which was a trifle higher than last year. The tonnage of probable ore of low grade, however, was increased by some 50,000 tons and was estimated now at nearly 234,000 tons. In the mill 242,600 tons of an average grade of 7.31 been treated, and in addition

131,000 tons of old tailings were re-treated.

Twelve months ago he told the shareholders that they had under consideration the programme for the continuation of development and mining in depth as the winding engines underground were nearing the full depth from which they were designed to wind. While he was on the Kolar goldfield this winter he was able to discuss that matter fully with the superintendent, Mr. Morrison. In considering the position in the centre of the mine the question of ventilation was of paramount importance, and it had been decided to instal an air-conditioning plant to cool and dry the downcast air, which was similar to the plant installed by the Ooregum Company two years ago and which had proved so advantageous. The programme, which it would take several years to bring to fruition, was estimated to cost £135,000, and to meet that expenditure it was fortunate that their financial position was quite healthy, and he anticipated that it would only be necessary to call on the profits for quite moderate amounts in the next few years towards that capital expenditure.

GOLD TAXATION IN MYSORE

In Mysore income-tax had been increased by 6 pies in the rupee and that they could bear with equanimity as it was an extra burden which fell upon all who were subject to pay income-tax in the State of Mysore, but the gold industry in Mysore had been singled out for special taxation as well, and from 22nd March last the Mysore Government had annexed three-quarters of the amount by which the sale value of gold exceeded Rs.100 (approximately 150s per ounce). At first the Government had intended to annex the whole amount, but after vigorous and emphatic protests had been lodged they had modified their original intention to three-quarters of the amount and agreed that in calculating the 5 per cent. fixed royalty and the additional royalty paid under the terms of the leases the sale value of gold should be taken after deduction of the new duty. Nevertheless, this type of tax, which paid no regard to the profit-earning capacity of the industry which in these difficult days was bound to be affected by rising costs, was bad in principle and could but tend to be injurious to the industry in practice.

There was another aspect of the matter. Early in 1934 they had agreed with the Mysore Government the terms for the renewal of leases which were due to expire on 22nd March, 1940. At that time the price of gold was rising and an agreement was reached whereby an additional royalty should be paid at once to the Mysore Government, and in the six years that had since elapsed the Nundydroog Company had paid by way of this premium no less than £257,206. They now found that from the first moment that the new leases came into operation they were to be deprived of a substantial part of their benefit although the Government participation in additional royalty had increased by 50 per cent. The Act implementing this gold duty was described as an emergency Act, so he presumed it would be withdrawn when the emergency passed, but in the meantime he hoped it might be reconsidered and placed on a more equitable basis and one less injurious to the future of the industry.

It was his custom to say something of the prospects for the present year, but it would be appreciated that this year that was unusually difficult, with so many factors and the incidence of the new taxation not yet clarified. He was afraid that it was inevitable that the profit would be less. Taking all factors into account, as far as they were at present able to judge, the fall in revenue from gold sales, assuming gold maintained its present price throughout the year, would be in the region of £50,000. However, in spite of higher rates of income-tax it should not be necessary to make so large a provision for income-tax reserve and N.D.C. would require less.

The report was unanimously adopted.

NUNDYDROOG MINES

Mining developments and taxation formed the principal themes of the address of Mr. Kenneth Taylor, chairman of Nundydroog Mines, at the meeting held yesterday. Encouraging results have been gained from the vigorous programme of development work in progress, and prospects at depth are considered particularly good judging by other mines in the Kolar gold field. Shareholders are already aware of the need for new winding and ventilating equipment, which will involve expenditure in the region of £135,000. The company is fortunately so well placed financially that it will be necessary to draw on future profits only to a small extent for a few years to meet the necessary capital outlay.

Special taxation of the gold-mining industry presents its problems in Mysore just as it has done in other countries. The claim of the Government on three-quarters of the amount by which the sale value of gold exceeds the level of approximately 150s per ounce bears with particular severity on the company in view of the terms under which the leases from the Government were renewed as from the end of March last. It is hoped that the Act, which put into effect the payment of an additional duty to the Government, will be reconsidered, as its operation in the present form certainly appears to be prejudicial to the future of the industry.

Nundydroog

At the recent meetings of the companies operating on the famous Kolar goldfield in India, trenchant criticism has been voiced on the Mysore Government's new gold price tax. Mr. Kenneth B. Taylor at yesterday's meeting of Nundydroog Mines naturally reverted to this important topic. The tax means that the Mysore Government takes 75 per cent. of gold proceeds exceeding 150s. per ounce. That gold mining as well as other companies should make an extra contribution towards the cost of war is understood. But, when it is appreciated that the new Mysore tax comes at a time when increased royalty scales are fully applicable, it will be doubted whether sufficient consideration was given to the position of the industry before the somewhat hasty imposition of the tax. Meanwhile, Nundydroog shareholders can hardly regard the position with great optimism. The dividend for 1939 was 5 per cent. lower at 42½ per cent., and Mr. Taylor yesterday pointed out that a fall in this year's profits was inevitable in view of the prospect of a £50,000 drop in revenue from gold sales.

Submitted to the Hon'ble Member
Bangalore 17/7/40
Private Secretary to the Dewan.

L. 1940
Through Financial Secretary

Bangalore City,
12th July 1940

384-39-3

REV. SECRT
327
22 JULY 1940

My Dear Sir,

Taxation of Gold Mines in South Africa G.F. 384-39-3

In a letter dated 25th March 1940 from Mr. G.F. Thirlby of the University of Cape Town, appearing in the Royal Economic Society's Memorandum No.82, issued in May 1940, and just received in India, by the last incoming mail, it is seen that the taxation of gold mines in South Africa is being further resorted to. The growing significance of gold-mining in the South African economy, indeed appears not only in the analysis of foreign trade, but also in the details of Government finance. According to Mr. Thirlby, it is particularly evident in the large part the gold industry is being forced to play in the financing of the Government's War Expenses account. With the Revenue account for 1939-40 approximately balanced, the South African Budget anticipated an expenditure for 1940-41 increased to £ 57.3 millions, mainly by an addition of £ 11.75 millions to Defence expenditure. On the basis of existing taxation - for gold-mining taxation, on a gold price of Rs 150/- an oz.- the South African Finance Minister calculated that the Revenue would be about the same as in the closing year. It would, he anticipated, be augmented by £ 3.6 millions by the operation of the gold-mining taxation upon the full market price of gold. But as it would still be £ 8.5 millions short of expenditure, he proposed to meet most of the deficiency by a "Special Contribution" from different sources, among which the most prominent one is an yield of £ 3.5 from gold-mining.

This would seem to indicate that gold mining could at

at the current gold price, be able to bear this further taxation contemplated by the South African Government.

Compared to what they have done in South Africa, and still propose to do in the near future - the Mysore Government should be deemed to have been most considerate in the policy they have adopted towards the Gold Mining Companies in their area.

With kind regards.

Yours sincerely

C Rajagopalachari

To

Sir Mirza M. Ismail, K.C.I.E., O.B.E., C.St.J.,
Dewan of Mysore,
Bangalore

D.O.No. 449.

17th July 1940.

My dear Mr Hayavadana Rao,

Many thanks for your letter of July 12 regarding the taxation to which gold mining is subject in South Africa. It is very good of you to write and draw my attention to it.

The facts you have mentioned are very interesting.

With every good wish,

Yours sincerely,

(Sd) Mirza M. Ismail

Rajacharitavisharadha
Rao Saheb C. Hayavadana Rao, B.A., B.L.,
Gavipur Extension,
BASAVANGUDI.
(Bangalore City.)

The total nominal capital of all the gold mines in the Transvaal is £ 81,404,283. During the year 1935, 10,491,457.67 Ozs. of fine gold was produced and disposed off as follows:-

1,524.71 Oz. to England on account of Mining Industry

7,848,645.21 Oz. to England on account of the South African Reserve Bank.

2,641,050.44 Oz. to Royal Mint at Pretoria

237.25 Oz. Sundry local sales.

The average price of gold in 1935 being 7.1 per fine oz. The total realisations amounted to £ 73,561,990.

Chief heads of expenditure in 1935 were:-

Salaries & wages £ 20,819,686

Stores " 22,755,341

The gross profit of £ 29,986,963 is not all available to share holders as a large portion is absorbed by such items as interest redemption of loans, Government Taxation and share of profits etc. The total dividends declared was £ 16,777,671.

During the year 1935, 49.3 million tons of ore were crushed. The average cost per ton milled was 18 Sh. 8 d., the recovery per ton being 32 Sh. 5 d. resulting in a gross profit per ton of 13 Sh. 9 d. The average grade of the ore was 4.559 dwts.

Government Leases and Profits.- The original mining laws permitted a single individual to peg up to a maximum of 50 claims - a claim being 150' x 400' - on particulars areas proclaimed as gold bearing after making the necessary allowances for the owner's and discoverer's rights. But as mining advanced in depth, this law became unworkable owing to the peculiar formation of the reef. In 1908 a new act was passed empowering Government to reserve proclaimed mining areas from pegging and to lease the undermining rights of larger areas sufficient to constitute a wrokable proposition. This leasing system was further amplified by an act in 1918 by which the mining leases board was established with powers to call for tenders for proclaimed areas. In 1934 this lease system was further extended to holders of mineral rights on private lands and discoverers on crown lands, enabling them to obtain leases of workable propositions on a profit sharing basis.

Government's

Government's Share of Profits.

Government's share of profits is calculated on a sliding scale.

Y = a - b where Y is the profit payable to Government.

X, the ratio of profit to recovery expressed as a percentage and a and b are constants agreed to in the lease. In addition to this income, the gold mining companies have to pay excess profits duty and incometax. The total income from all these sources to Government from the mining industry during 1935-36 was £ 14,980,000. As the gold producers complained against this excessive taxation a departmental committee was appointed to examine and report on mining taxation. After careful consideration of the existing hardships the Committee made the following recommendations in 1936 which have been adopted for the new lease mines. The scale of the present tax consists of a flat rate of 15% and a graduated tax determined by the ratio of profit to recovery. The new formula is as follows:-

$$Y = 55 - \frac{500}{X}$$ where

Y = profit payable to Government

X = percentage ratio $\frac{\text{profit}}{\text{recovery}}$

If X is less than 12.5 the minimum basic royalty of 15 % of the profits must be paid and if it is over 12.5 the new formula is applied for taxation.